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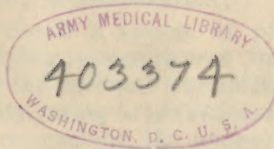
REPORT

of the

TEMPORARY ECONOMY COMMISSION

to the Governor and to the Legislature

MARCH 25, 1943



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STATE OF NEW YORK

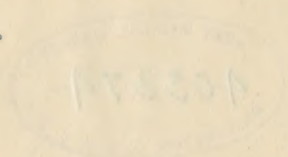
REPORT

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STATE OF NEW YORK

(Laws of New York (1942), Chapter 917)

AN ACT creating a temporary state commission to study and investigate the fiscal affairs of the state government and to recommend economies in the cost of state government, to the end that the fiscal structure of the state shall be sound during the existing war emergency, and making an appropriation for the expenses of the commission

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

WHEREAS, Necessary sums for armaments and military training must be provided by our national government in increasing amounts during the next several years in order that we may provide a defense adequate to our national safety; and

WHEREAS, The requirements for our national defense, plus the requirements for our normal operations of government, will demand an increasing share of our national income; and

WHEREAS, Strict economy in the cost of government is necessary if we are to avoid future crises in our fiscal structure; and

WHEREAS, A sound defense for our nation must be founded on a sound fiscal structure in each of our states; now, therefore:

This act is declared necessary to conserve the taxpayers' ability to meet rising costs of government occasioned by the existing war emergency and to preserve and protect the safety and security of the people of the state.

Section 1. A temporary state commission is hereby created to make a comprehensive study and analysis and to collect facts and data with respect to the fiscal problems of the state, and shall have power:

(a) To investigate the financial needs of each department, board, bureau, commission or agency in the state government, for the purpose of determining whether or not and to what extent, if any, appropriations for the support of government may be reduced without impairment of necessary governmental functions;

(b) To make recommendations for the conservation of funds and to propose amendments to existing laws found necessary to effect an economical and efficient administration;

(c) To prepare and submit a system of priorities in governmental spending, classifying expenditures in relation to their imperativeness in view of the national war emergency. The system shall grant a higher priority rating to governmental functions found to be essential and may recommend the temporary curtailment or elimination of non-essential expenditures.

§ 2. Such commission shall consist of fifteen members to be appointed as follows: Five by the governor, five by the temporary president of the senate, and five by the speaker of the assembly.

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All or any of such appointees may be appointed from the public at large. Vacancies in the membership of the commission, occurring from any cause, shall be filled by the official making the original appointment to the position in which the vacancy occurs. The commission, after its appointment, shall elect from its members a chairman who shall preside at all meetings, and a vice-chairman who shall preside in the absence of the chairman. The commission may sit at any place within the state and hold either public or private hearings. The commission may employ and at pleasure remove counsel, a secretary, and such other clerical, stenographic or technical assistants as it may require, and fix their compensation within the amount provided for in the appropriation. It and each member thereof shall have full power to administer oaths, take testimony, subpoena and compel the attendance of witness and the production of all books, papers, records and documents it deems material or pertinent within the subject of its study, and shall generally have, possess and exercise all of the powers of a legislative committee as provided by the legislative law.

§ 3. The members of the commission shall receive no compensation for their services, but shall be reimbursed for their expenses actually and necessarily incurred in the performance of their duties hereunder.

§ 4. The commission may request and shall receive from any department, division or agency of the state, or of any political subdivision thereof, such assistance and data as will enable it properly to consummate its examination hereunder.

§ 5. The commission shall make a final report of its findings and recommendations to the governor and to the legislature on or before February first, nineteen hundred forty-three, and shall also cause to be printed and shall distribute to the public generally at least one thousand copies of such findings.

§ 6. The sum of fifty thousand dollars (\$50,000), or so much thereof as may be necessary, is hereby appropriated to the commission hereby created and made immediately available for its expenses, including personal service and expense of publishing, printing and distributing the findings of the commission, in carrying out the provisions of this act. Such moneys shall be paid out of the state treasury on the audit and warrant of the comptroller on vouchers certified or approved by the chairman or vice-chairman of the commission as prescribed by law.

§ 7. This act shall take effect immediately.

Approved May 22, 1942.

The life of the Commission and the time for filing its report were extended to March 31, 1943 by chapter 33, Laws of 1943, approved February 26, 1943.

STATE OF NEW YORK
TEMPORARY ECONOMY COMMISSION

(Chapter 917, Laws of 1942)

OFFICERS OF THE COMMISSION

ARTHUR H. WICKS, *Chairman*
ABBOT LOW MOFFAT, *Vice-Chairman*
RHODA FOX GRAVES, *Secretary*

MEMBERS OF THE COMMISSION

By Appointment of the Temporary President of the Senate:

ARTHUR H. WICKS, Kingston
RHODA FOX GRAVES, Gouverneur
BENJAMIN F. FEINBERG, Plattsburgh
JEREMIAH F. TWOMEY, Brooklyn
L. RICHARD GUYLAY, Executive Vice-President, Citizens Public Expenditure Survey, Inc.

By Appointment of the Speaker of the Assembly:

ABBOT LOW MOFFAT, New York
WILLIAM L. DOIGE, Chateaugay
GEORGE F. TORSNEY,[†] Queens
HAROLD J. FISHER, President, Association of New York State Civil Service Employees
GEORGE T. MANNING, Rochester

By Appointment of the Governor:

J. BUCKLEY BRYAN, *Director of Budget
ROBERT M. HAIG, Columbia University
WILLIAM R. WHITE, *Superintendent of Banks
WILLIAM J. DOUGHERTY, *Deputy State Comptroller
JOSEPH V. MCKEE, Attorney, 14 Wall St., New York, N. Y.

Ex-Officio Members:

JOE R. HANLEY, Perry
JOHN J. DUNNIGAN, New York
OSWALD D. HECK, Schenectady
IRVING M. IVES, Norwich
IRWIN STEINGUT, Brooklyn

WALTER W. WESTALL, White Plains
Counsel

HARLEY L. LUTZ, Princeton University
Director of Research

* Former.

† Deceased.

LETTER OF TRANSMITTAL

To the Governor and the Legislature of the State of New York:

Herewith is transmitted the Report of the Temporary Economy Commission. This report has been prepared on the basis of a large amount of documentary material assembled by the Commission's staff, supplemented by data and testimony produced at a series of hearings. The report deals with the following subjects:

First, a summary review of State expenditures and debt and some proposals for strengthened fiscal control;

Second, a study of the Department of Health with emphasis on the tuberculosis hospitals and over-all administrative problems of the department.

Third, a study of State Mental Hygiene Institutions.

Fourth, a study of State Correctional Institutions.

Respectfully submitted,

ARTHUR H. WICKS, *Chairman*

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PART I

FISCAL RECORD AND POLICY OF THE STATE OF
NEW YORK

FISCAL RECORD AND POLICY OF THE STATE OF NEW YORK

The Dimensions of the Problem of State Government Costs

The task laid on the *Temporary Economy Commission* must be considered in relation to the present magnitude and the recent trends in State expenditures and disbursements. An over-all indication of the situation which now confronts the people and their public officials is presented in Table I.

The classification of expenditures and disbursements in this table conforms with the arrangement of fiscal data in the Comptroller's annual reports. The material in it is comparable with the summary presented in the annual budget messages, except that the debt service charges for emergency construction and unemployment relief bonds is here shown as part of total debt service, whereas in the budget messages the relief debt service is shown as part of the total relief cost.¹

¹ Cf. *The Executive Budget*, 1943-44, vol. 1, p. xiv.

TABLE I
STATE OF NEW YORK
EXPENDITURES AND DISBURSEMENTS FROM THE GENERAL FUND
FOR GENERAL PURPOSES FOR SELECTED PERIODS
1926-1942

(000 omitted)

Source: Compiled from Comptroller, *Annual Reports*.

CLASSIFICATION	AVERAGE ANNUAL EXPENDITURES			1941	1942
	1926-1930	1931-1935	1936-1940		
CURRENT OPERATIONS					
^a Civil Departments.....	\$96,905	\$105,739	\$110,801	\$119,634	\$121,117
^b Military and Police.....	3,863	4,235	4,225	4,063	4,306
^c General State Charges.....	10,725	11,816	13,643	18,088	17,493
Subtotal.....	\$111,493	\$121,790	\$128,669	\$141,785	\$142,916
^d CAPITAL OUTLAYS.....	\$8,692	\$14,978	\$3,594	\$2,463	\$2,434
Subtotal.....	\$8,692	\$14,978	\$3,594	\$2,463	\$2,434
DEBT SERVICE					
^e Emergency Construction and Unemployment Relief.....		\$4,397	\$23,217	\$25,831	\$23,375
^f OTHER.....	\$17,329	25,266	26,259	26,380	23,404
Subtotal.....	\$17,329	\$29,663	\$49,476	\$52,211	\$46,779
Total State Operations....	\$137,514	\$166,431	\$181,739	\$196,459	\$192,129
STATE AID					
^a Social Welfare and Emergency Relief.....		\$10,316	\$45,406	\$69,604	\$57,062
^b OTHER.....	\$73,161	106,061	126,409	124,985	124,977
Subtotal.....	\$73,161	\$116,377	\$171,815	\$194,589	\$182,039
Grand Total.....	\$210,675	\$282,808	\$353,554	\$391,048	\$374,168

^a Expenditures for civil government — Executive, Legislative, Judiciary, Correction, Health, Labor, Mental Hygiene, Public Works, Taxation and Finance, etc.

^b Expenditures for maintenance of Adjutant General, State Arsenal, State National Guard, naval militia, armories, etc., also State Police organization.

^c These are expenditures incurred on account of State activities as a whole as opposed to operating expenses of particular departments — judgments, pension fund payments, compensation insurance, certain institutional allowances, etc.

^d Costs of construction and other permanent improvements paid from the General Fund. This item does not include capital expenditures from the proceeds of bond sales.

^e Principal and interest payments from the General Fund on bonded debt issued for emergency construction and unemployment relief purposes.

^f Principal and interest payments from the General Fund on bonded debt and interest on temporary loans issued for other than emergency construction and unemployment relief purposes.

^g Disbursements from the General Fund to localities for social welfare and relief purposes. Additional payments for these purposes have been made from the proceeds of relief bond sales which are not included in General Fund disbursements.

^h Disbursements from the General Fund to localities for conservation, education, health and public works.

The trend revealed by this record is characteristic of governmental costs generally. The concern of the people of New York with this subject has been revealed by the creation of various investigating commissions and by the efforts to improve the organization of the State Government.²

The framework of the State administrative organization as it exists today was established by the reorganization act of 1926. That reorganization was the product of discussion and agitation extending over several years, during which time at least two special commissions had urged consolidation and simplification of the State administrative structure. This was a period in which "reorganization" was popular, and many states inaugurated reforms of this type. Beyond question the reform was needed, but there was a tendency to impute to it greater virtues, especially in the field of expenditure control, than the facts warranted. The following passage from the statement written by Governor Smith as an introduction to the *Report of the Reconstruction Commission* of 1919 illustrates the views prevalent at the time:³

New York State appropriations have doubled in the last five years. This year the Legislature passed bills carrying appropriations of approximately \$100,000,000. I vetoed bills carrying appropriations of approximately \$5,000,000. With the time and force at my disposal and under the present organization of State departments and the present budget system, I was unable to effect greater savings without bringing serious hardship upon essential departments and activities.

In approving appropriations of \$95,000,000 to carry on the State Government for the present year, I did not imply in any way that this entire sum would be required, if we had a simple, understandable and responsible government. Many years of experience in the Legislature and my experience as Governor have impressed me with the necessity of simplifying the government of this State. The people must give the Governor authority if they want to hold him responsible.

The record of expenditures since 1926,⁴ shown in Table I, indicates that however needful and meritorious the changes that were made to that date, they were not sufficient to prevent a steady advance in the cost of the State Government. The annual average cost for the period 1926-1930 was more than double the amount which had aroused Governor Smith's concern in 1919.

² For example, the series of reports issued over a period of years by the Joint Special Committee on Economy and Retrenchment. The title chosen for this committee is significant.

³ Reconstruction Commission to Governor Alfred E. Smith on Retrenchment and Reorganization in the State Government, *Report* (1919), introductory statement.

⁴ Throughout the present report, unless otherwise indicated, all statistics are for fiscal periods.

By the quin-quennium 1931-1935, the expenditures for general departments alone exceeded the total cost of the State Government which had stirred Governor Smith to seek methods of retrenchment in 1919. The total has continued to advance to the present. There are no departments which have failed to share in the expansion, although the amounts spent by the Department of Public Works and chargeable to the General Fund have declined. But the several departments vary considerably in size and cost, according to the functions and responsibilities allotted to them. In 1942 eight departments were responsible for spending \$98,965,000, or 81.7 per cent of the total recorded for all civil departments.⁵

These facts raise anew the important issue of how much longer, and how much farther, the movement toward higher expenditures shall be encouraged, or permitted, to continue. In the budget message for 1943-44 the Governor stated that for the time being a rising trend in direct State costs had been arrested.⁶ This is all that can now be forecast. Governor Dewey referred to certain savings already effected and added the cheering assurance—"I look forward to securing substantial savings in many other departments."⁷ The problem is one which must continue to engage the attention of the Governor, the Legislature and the people, if there is to be a permanent shift from the tendency, heretofore manifested, of doubling the State expenditures from time to time. The present Federal taxes, together with the prospect of large Federal expenditures and of heavy Federal taxation in the postwar period, is such as to give far greater importance to this matter than it would have were the State free to formulate its own policy unhampered by the fact that its citizens must supply a substantial part of all levies collected by the Federal Government.

An important aid to the establishment of a ceiling for governmental costs is a cautious, even parsimonious, attitude toward the use of public credit. The growth of debt service payments since 1926, as shown in Table I, illustrates the manner in which the burden of debt may rise.

In the period 1926-1930 the total debt service payments from the General Fund averaged \$17,329,000 annually. This was 8.1 per cent of the average total annual expenditure. In 1942 the debt service payments from the General Fund were \$46,779,000, or 12.5 per cent of total expenditure. This is still a moderate proportion of total governmental expenditure. Actually, however, it means that one dollar out of every eight taken from the taxpayers in 1942 for the purposes covered in Table I was required for that purpose, as against one dollar out of every twelve a decade and a half ago.

⁵ Judiciary, Correction, Education, Health, Labor, Mental Hygiene, Public Works and Taxation and Finance.

⁶ *The Executive Budget, 1943-44*, p. xvi.

⁷ *Loc. cit.*

The rapid growth of debt service since 1931 is to be explained by the substantial borrowings for emergency construction and unemployment relief. The bonds issued for these purposes were to mature serially within ten years. The high amortization requirements of a ten-year maturity naturally expand the current debt service during that period.

TABLE II
STATE OF NEW YORK
FUNDED STATE DEBT, ISSUED, REDEEMED AND OUTSTANDING
JULY 1, 1930-JUNE 30, 1942

(000 omitted)

Source: From State Comptroller, *Annual Reports* and data submitted by Comptroller.

July 1, 1930: Bonds outstanding.....	\$382,179	
Less: Balance in Sinking Fund.....	108,832	
Net funded debt.....		\$273,347
Bonds issued, July 1, 1930-June 30, 1942 for emergency construction and unemployment relief.....	\$264,995	
Other purposes.....	281,100	
		<u>\$546,095</u>
		\$819,442
Bonds redeemed, July 1, 1930-June 30, 1942 for emergency construction and unemployment relief.....	\$157,215	
Other purposes.....	118,629	
		<u>275,844</u>
		\$543,598
Increase in Sinking Fund, July 1, 1930-June 30, 1942.....	35,765	
Net funded debt, June 30, 1942.....		<u>\$507,833</u>

* The \$546 million issued July 1, 1930-June 30, 1942 was distributed for purposes of expenditure as presented in following tabulations which also includes redemption of bonds amounting to \$275 million and purpose of issue.

PURPOSE	JULY 1, 1930-JUNE 30, 1942	
	Issued	Redeemed
Emergency construction.....	\$50,000	\$17,720
Emergency unemployment relief.....	214,995	139,495
Canal—Serial.....		1,632
Term.....		5,000
Highways.....		4,800
State forest preserve.....		1,200
World War bonus.....		21,600
State institution buildings.....	42,400	26,304
General state improvement.....	72,125	35,556
State park system.....	4,475	4,842
Grade crossing elimination.....	142,500	17,695
Housing.....	19,600	
Total.....	<u>\$546,095</u>	<u>\$275,844</u>

The favorable aspect of the State's debt situation is in the fact that debt reduction has proceeded consistently. Because of the transition from term to serial bonds, there is good reason to anticipate a continuance of this policy. The regular discharge of short-term serially maturing debt involves heavier current taxation and the rise of serial maturities from \$5,856,000 in 1931 to a peak of \$36,187,000 in 1940 has been a significant factor in the over-all increase of State expenditures in that time.

New York's experience with debt over the past twelve years or so deserves closer examination with a view to considering the ultimate effects of debt policy upon the taxpayers. Table II, summarizing the net changes in funded State debt since 1930, shows the volume of new issues and the aggregate payments for redemption to 1942.

In this period the State borrowed \$546,095,000 and redeemed \$275,844,000. Of the redemptions, \$260,604,000 were provided from the General Fund. The total amount paid from the General Fund for the retirement of bonds was \$262,129,000 which included contributions of \$1,525,000 to the Sinking Fund.

Total interest payments on all funded debt during this period were \$245,979,000. Of this amount, \$218,918,000 came from the General Fund. Additional interest of \$13,640,000 for temporary debt was also paid from the General Fund. The grand total which the taxpayers provided, by way of the General Fund, for interest and redemption from July 1, 1930 to June 30, 1942, was, therefore, \$494,687,000.

Here are the data for a consideration of the relative effects of debt and taxation. The State borrowed \$546,095,000 from July 1, 1930 to June 30, 1942, and in the same period it collected from the taxpayers for debt interest and redemption the sum of \$494,687,000. The amount collected from taxpayers and paid out, on account of debt, was almost as much as was obtained from the loans issued. True, a part of the debt service costs was incurred on account of the debt already outstanding on July 1, 1930. Total debt service payments from the General Fund in the fiscal year 1931 were \$21,168,000. Had no more debt been issued, this annual charge would have declined steadily and materially by 1942.

This experience is not unusual.⁸ The point to be emphasized here is the tendency of taxation for debt service to overtake, in volume, the amounts currently realized from loans. Eventually, the taxpayers are being levied upon as heavily for debt services as they would have been had the projects which were financed from loans been covered from current tax revenues. And when debt has accumulated to such a level, the taxpayers still have the burden of interest and redemption to meet.

This becomes clear when the end of the New York chapter is considered. As of June 30, 1942, there was still outstanding a

⁸ Cf. H. L. Lutz, *Public Finance*, 3rd. Ed. (1936), pp. 802-804, for an account of the similar experience of New York City over the period 1926-1933.

net funded debt of \$507,833,000, an amount almost equal to the total borrowings of the period in question, despite the steady redemption of all maturing serial issues, and \$5,000,000 of term bonds. In short, because of the debt policy, the people have paid about as much in taxes on account of debt as they would have paid to accomplish the same purposes on a current basis if there had been no debt; and they came to June 30, 1942 with a net total of funded obligations still unpaid which exceeded by \$234,486,000 the net funded debt outstanding on July 1, 1930.

It may be urged, however, that various emergencies arising during the period under review made necessary the provision of larger sums than could have been obtained through current revenues. In general, the term "emergency" has been abused for it is too elastic and indefinite to serve as an exact guide to fiscal policy. Many situations regarded as emergencies if bonds are to be issued are likely to change their aspect materially if it be decided to include their costs in the tax levy to be currently borne. Table III, showing the purposes for which bonds were issued during the fiscal years 1931-1942, will illuminate this issue.

TABLE III
STATE OF NEW YORK
SUMMARY STATEMENT OF BONDS ISSUED
1931-1942

(000 omitted)

Source: From State Comptroller, *Annual Reports* and data submitted, by Comptroller.

YEAR ISSUED	General State Improvements	Grade Crossing Elimination	Emergency Unemployment Relief	Emergency Construction	State Institution Buildings	Housing	State Park System	Total
1931.....	\$13,100	.....	.....	\$15,000	\$2,400	.....	\$4,475	\$34,975
1932.....	10,000	\$25,000	.....	5,000	.....	.....	.....	40,000
1933.....	10,000	5,000	\$15,400	.....	.....	.....	.....	30,400
1934.....	20,000	23,500	44,595	18,000	.....	.....	.....	106,095
1935.....	9,025	14,000	40,000	12,000	.....	.....	.....	75,025
1936.....	.....	.....	30,000	.....	.....	.....	.....	30,000
1937.....	.....	15,000	55,000	.....	.....	.....	.....	70,000
1938.....	10,000	10,000	30,000	.....	.....	.....	.....	50,000
1939.....	.....	10,000	.....	.....	10,000	.....	.....	20,000
1940.....	.....	.....	.....	.....	.....	.....	.....	.....
1941.....	.....	25,000	.....	.....	30,000	19,600	.....	74,600
1942.....	.....	15,000	.....	.....	.....	.....	.....	15,000
Total.	\$72,125	\$142,500	\$214,995	\$50,000	\$42,400	\$19,600	\$4,475	\$546,095

The question, whether the so-called emergency needs designed to be served by these bond issues involved greater requirements than could have been met from current revenue, may be approached by comparing the debt service payments from the General Fund with the total of bonds issued, year by year, over the period. This is done in Table IV.

TABLE IV
STATE OF NEW YORK
TOTAL DEBT SERVICE PAYMENTS AND TOTAL BONDS ISSUED
1931-1942

(000 omitted)

Source: From State Comptroller, *Annual Reports* and data submitted by Comptroller.

YEAR	Debt Service (from General Fund)	Bonds Issued
1931.....	\$21,168	\$34,975
1932.....	24,143	40,000
1933.....	27,984	30,400
1934.....	32,963	106,095
1935.....	42,055	75,025
1936.....	44,639	30,000
1937.....	46,713	70,000
1938.....	52,468	50,000
1939.....	48,591	20,000
1940.....	54,971	.....
1941.....	52,211	74,600
1942.....	46,779	15,000
Total.....	<u>\$494,685</u>	<u>\$546,095</u>

This comparison reveals that in only four years out of the twelve-year period was the total of bonds issued in a year greatly out of line with the debt service payments for that year. In three of the four years, 1934, 1935 and 1937, the volume of emergency unemployment relief bonds may be regarded as primarily responsible for the disparity shown in Table IV. In 1941 the difference was the equivalent, roughly, of either the grade crossing elimination or the State institution building bonds sold.

The further argument for the issue of bonds is that they were needed during depression years when heavier taxation would have been difficult. But the answer is that because bonds were used, the taxpayers were levied upon almost as heavily, because of debt service, as they would have been had the taxes collected been applied to relief purposes rather than to the servicing of debt. Strict application of a cash basis requires careful attention to a program of capital improvements, together with somewhat greater patience in the execution of such a program. Once a government has rid itself, in substantial degree, of debt a long range, carefully planned capital program can be financed on a cash basis with less eventual strain upon taxpayers.

The problem for the future is to consider the extent to which such a course might now be introduced, if this were the desire of the people. Assuming that no more debt is to be issued, the decline of debt service charges over the next decade will provide a margin for the inauguration of a cash basis for capital improvements. The cold hard fact remains, however, that in the next five years, 1943 to 1947 inclusive, the people of New York must provide more than one-quarter billion dollars in debt service (see Table

V). This fact is likely to militate against acceptance of the cash basis, and it is therefore likely to be an important factor in perpetuating the State debt.

The position taken here conforms to that expressed recently by a joint legislative committee, from the report of which the following is quoted:⁹

We feel strongly that the State of New York should finance its public improvements on a pay-as-you-go policy in good times. Even though there may be merit in borrowing during times of depression to stimulate employment and though occasionally, under special conditions, borrowing may be a necessity, we feel that such policy should even then be employed with caution. We are satisfied that, with an intelligent system of capital planning, appropriations for the capital needs of the State can be distributed in roughly equal annual amounts and met from current revenues with actual saving to the taxpayers of the State. We do not pretend to recommend any fixed policy for all time. Whatever recommendations we might make in regard to policies in the future would be of little weight, as decisions at the time would be based on economic and political considerations then existing. But the policy to be pursued in the immediate future is a different matter and is of grave concern to all the people of the State.

⁹ Joint Legislative Committee on State Fiscal Policies, *Report* (1938), p. 66.

TABLE V
STATE OF NEW YORK
ANNUAL DEBT SERVICE CHARGES
TO FINAL MATURITY OF DEBT OUTSTANDING JULY 1, 1942
(000 omitted)

Source: From State Comptroller, *Annual Reports* and data submitted by Comptroller.

	YEAR	Total Maturity	Principal Due	Interest Due
A	1943.....	\$54,904 ←	\$34,502	\$20,402
	1944.....	54,002	34,502	19,500
	1945.....	55,101 B	36,502	18,599
	1946.....	48,107	30,502	17,605
	1947.....	41,299	24,502	16,797
	Subtotal.....	\$253,413	\$160,510	\$92,903
C	1948.....	\$35,186	\$19,002	\$16,184
	1949.....	31,648	16,002	15,646
	1950.....	29,344	14,202	15,142
	1951.....	28,427	13,702	14,725
	1952.....	28,019 ←	13,702	14,317
	Subtotal.....	\$152,624	\$76,610	\$76,014
	1953-57.....	\$132,127	\$66,234	\$65,893
	1958-62.....	185,609	132,618	52,991
	1963-67.....	173,936	149,155	24,781
	1968-72.....	29,488	22,519	6,969
	1973-77.....	24,178	19,975	4,203
	1978-82.....	18,580	16,629	1,951
	1983-87.....	6,920	6,380	540
	1988-91.....	1,872	1,800	72
	Subtotal.....	\$572,710	\$415,310	\$157,400
	Grand total.....	\$978,747	\$652,430	\$326,317

A: The cold hard fact is that New York State taxpayers must pay more than one-quarter billion dollars in debt service in the next five years.

B: Redemption of the present debt according to schedule will reduce annual debt service by almost \$14 millions in 1947 and

C: By almost \$27 millions in 1952 — here is a possible margin to begin a cash basis program for capital improvements.

State Personnel

The growth in State expenditures has been accompanied by an increase in State personnel. The number of employees as of December 30 since 1930 is shown in the following table:

TABLE VI
STATE OF NEW YORK
NUMBER OF STATE EMPLOYEES IN SERVICE —
CLASSIFIED AND UNCLASSIFIED, 1930-1941

Source: From data submitted by the Civil Service Commission.

As of December 30	No. of Employees	Per Cent Annual Increase
1930.....	32,352 ←
1931.....	33,050	2.16
1932.....	33,764	2.16
1933.....	34,444	2.01
1934.....	36,108	4.83
1935.....	38,200	5.79 67.37
1936.....	42,631	11.60
1937.....	46,577	9.26
1938.....	51,337	10.22
1939.....	50,424	^a 1.78
1940.....	51,806	2.74
1941.....	54,146	4.52 ←

^a Decrease.

There is a certain reciprocal relation between expenditures and personnel. The expansion of public services naturally requires more employees, and the enlarged staffs require greater appropriations. In New York the introduction of unemployment insurance and the additions to institutional staffs to comply with the eight-hour law were largely responsible for the additions to personnel between 1936 and 1938. Statutory enactments dealing with hours of work, salary scales and increments, tenure, retirement allowances and other matters are proper and legitimate. It is a well-known fact, attested by the experience of all government, that the combined effect of the policies and rules of public employment is one which tends toward comparative inflexibility of personnel cost. Expenditure reductions are not commonly sought by way of drastic cuts in the number of public personnel, and only infrequently has such reduction been undertaken by way of general cuts in public salaries and wages.

The New York Fiscal System and Policy

The problem of reducing and controlling expenditures in New York State is complicated by certain factors in the State's fiscal system, and by certain aspects of its fiscal policy. The present chapter deals with these subjects.

(1) *The Budgetary Procedure.* A constitutional amendment approved in 1927 authorized the transfer of the responsibility for preparing the budget from the Legislature to the Governor. Certain further changes relating to the preparation of the budget and the appropriation of moneys were made by the constitutional

revision of 1938.¹⁰ The present procedure may be summarized as follows:

(a) On or before February 1, the Governor submits to the Legislature a complete plan of expenditures for the ensuing year and estimates of all revenues to be available therefor. He also presents recommendations as to proposed legislation, if any, which he may deem necessary to meet such proposed expenditures.

(b) At any time within the thirty days, and, with the consent of the Legislature, at any time before adjournment, the Governor may amend or supplement the budget and submit amendments to any bill submitted by him or submit supplemental bills.

(c) The Legislature may not alter the appropriation bill submitted by the Governor except to strike out or reduce items therein, but it may add thereto items of appropriations provided that such items are stated separately and distinctly from the original items of the bill and refer each to a single object or purpose.

(d) Every law making a new appropriation or continuing or revising an appropriation shall distinctly specify the sum appropriated, and the object or purpose to which it is to be applied.

The Joint Legislative Committee on State Fiscal Policies, reporting in 1937, expressed the judgment that the executive budget system basically had functioned well, although it had produced some unintended results. One of these results was said to be a major transfer of control of the State's expenditures from the Legislature to the Executive. The commission's own exposition of the theory of the executive budget suggests, however, that this was not a wholly unintended result, for that theory, in the commission's own words, is:

. . . that the Executive, who is charged with the administration of the State's affairs and the execution of policies determined by the Legislature, can, with far greater accuracy than can the legislative body, determine the actual appropriations required for the efficient execution of such policies . . .¹¹

This passage well illustrates the limitations of the New York budgetary concept. Executive control is affective only over the preparation of the budget. Here the Governor does have large powers of initiation, and the legislative powers in this respect are correspondingly restricted, although not entirely eliminated. On the other hand, there is no provision in either the Constitution or the statutes for formal control over the execution of the budget. In theory, this is an executive responsibility and in theory it is discharged by the selection of the several department heads and by

¹⁰ *The Constitution of the State of New York*, art. VII, secs. 1-7.

¹¹ *Report*, pp. 22, 23.

such coordination of administration as has been achieved under the departmental reorganization of 1926. But such a theory would appear to be inadequate in practice. In the second half of its life history (execution) the budget receives less attention than is bestowed upon it in the first half (preparation).

Here is the core of the weakness in New York State fiscal policy. There is a general belief that New York has a good budget system because of the energy and zeal displayed by the Governor and the Legislature in drafting a budget and enacting appropriation laws. This view neglects the fact that the job of budgetary management is only partly done at this point, and that a mature, well-rounded budget and fiscal system demands that more energy and zeal be expended in supervising the execution of the financial plan.

The passage quoted above is correct in intimating that the executive is in a better position than the Legislature to determine the amounts required for the proper and efficient execution of State policies. The current New York theory is that a correct determination of the amounts required for the performance of State functions can be, and is, made by the executive in the budget as it goes to the Legislature. The position taken here is that such advance determination should be supplemented by more careful oversight of the spending agencies throughout the period to which the budget applies and that the executive is the logical agency to exercise this supervision. Both the authority and the responsibility for doing this inhere in the complete concept of the executive budget.

The root of the problem goes down to the theory of an appropriation. In New York an appropriation appears to be frequently regarded as a grant rather than as an authorization to spend. This interpretation is advanced notwithstanding section 42 of the Finance Law,¹² which reads in part as follows:

The several amounts appropriated in any act shall be deemed to be only for so much thereof as shall be sufficient to accomplish in full the purposes designated by the appropriations...

The weakness of this section is that it does not fix upon anyone the responsibility for determining the part of any appropriation that would be sufficient to accomplish the purpose of the appropriation. It is therefore inoperative except as the several department heads may elect to keep departmental expenditures below the amounts appropriated. Again referring to the current budgetary theory, it is clear that the principal if not the sole emphasis is laid upon the initial determination of what should be spent. But in the words of the Joint Legislative Committee on State Fiscal Policies.¹³

¹² Unless otherwise indicated, all legal references are to McKinney's *Consolidated Laws of New York Annotated* with cumulated annual supplements through 1942.

¹³ *Op. cit.*, p. 23.

Under the executive budget system the responsibility of the Governor insofar as appropriations are concerned, ends with his recommendation as to what these appropriations should be.

It should be added that the responsibility of the Legislature with respect to the purpose and the use of appropriations ends with enactment of the appropriation bills, despite the general and rather vague terms of section 42 of the Finance Law. And, finally, it may be added that once the appropriation acts are approved, no one has any formal responsibility with regard to the prudent use of the amounts appropriated except the comptroller, whose function is confined to the sphere of the fidelity audit of claims before payment.

This means, as stated above, that once the appropriation acts are approved, the amounts set out therein thenceforth become, actually, clear and definite grants to the respective departments, agencies or other administrative units. It is too largely left to the conscience of each administrator to determine in how far he shall observe the terms of section 42 of the Finance Law. In other words, while the care and effort expended upon the appropriations prior to final enactment are useful and necessary, they are not enough to assure maximum prudence in State operations. The spending process itself must be supervised and controlled.

The key to this supervision and control is the interpretation of the appropriation as an authorization rather than a grant. Under this view, appropriation of a given sum for a particular purpose merely indicates the maximum that may be expended, provided that conditions existing in the course of the fiscal year in question warrant the use of the full amount authorized and provided, also, that sufficient revenues are realized to permit the expenditure of the entire amount.

In other words, the objective of expenditure control may be restricted to the performance of State services in the most efficient manner possible, or it may be the broader purpose of economy as well as efficiency, a purpose which would involve such curtailment of services as might be necessary to keep the expenditures within the revenues.

The most effective control of this sort is achieved through the system of allotments at monthly or quarterly intervals, based upon work or service programs submitted by the heads of the several operating agencies. The State has no such system, except for the lump sum appropriations. These are customarily allotted in advance, but occasionally further segregations are made during the year. There is no continuing supervision once a plan of use has been approved. The Division of the Budget passes also upon requests to fill vacancies in personnel and proposed interchanges of appropriations between institutions for maintenance and operation.

The logical agency to exercise supervision over the operation of the budget is the Division of the Budget. It is a branch of the

Executive Department, directly subject to the Governor. The following account of the character of the information which the budget office should compile as the basis of its supervisory function will indicate also the manner and the purpose of that supervision:¹⁴

There are two broad classes of expenditure information which the Bureau of the Budget can use to advantage and might be expected to obtain for itself: (1) continuous current information relating to the obligation of appropriations and funds and the liquidation of obligations; and (2) periodic or occasional information relating to the methods of conducting governmental activities.

The first type is statistical information which can be readily obtained for the year in progress at brief regular intervals from the bookkeeping records maintained throughout the administrative branch of the government. This information for the fiscal year in progress would indicate the status of projects at successive intervals during the fiscal year, would disclose seasonal and unusual fluctuations in the rate of expenditures, and would forecast any unexpended balances of appropriations to remain at the end of the year. Statements can readily be prepared by the spending agencies showing (1) the current status of each appropriation and fund, (2) the obligations against each appropriation and fund allotment since the last report, (3) the rate at which cash is being withdrawn from the treasury. Where cost records are kept by administrative agencies, additional reports might be called for. . . .

The second type of administrative information can only be obtained by investigation and first-hand observation. Its preparation requires the formation of qualitative judgments which involve an intimate knowledge of the work to be performed, and cannot be based upon financial records alone. To acquire such intimate knowledge of administrative activity, the Budget Bureau must have a well-trained staff which will not become involved in the routine affairs of the bureau. Such a staff should be free to make studies in the field as well as in Washington, and should be permitted as much freedom in its choice of subjects to investigate as the needs of the President suggest.

The foregoing was obviously written with the National Government in mind, but it requires only the substitution of Albany for Washington, and the Governor for the President, to make the prescription entirely applicable to New York State conditions.

What is being said in the above quotation is that the achievement of economy and efficiency in governmental operations requires continuous study and attention. Legislative commissions of inquiry and investigation are a proper exercise of the legislative function,

¹⁴ Daniel T. Selko, *The Federal Financial System* (1940), pp. 172, 173.

for a legislative body must always be free to conduct its own examination of any aspect of the public business rather than rely upon information emanating from other sources. But the legislative inquiry can never be an adequate substitute, in the field of expenditure control, for executive budgetary supervision, and it cannot be regarded as a device whereby the executive is to be relieved of that responsibility.

While it would not be impossible in New York to expand the functions and the personnel of the Division of the Budget sufficiently to include supervision of the execution of the budget, there is, in the Constitution, as interpreted by the Court of Appeals,¹⁵ a serious obstacle to the introduction of a thorough-going system of expenditure control of the sort outlined above. Under this construction, appropriations must be in line item form, except in cases in which it would be impracticable, if not impossible, to itemize the sum required.

It would be futile now to enter, or even to review, the long controversy that has been waged in the State over the line item versus the lump sum appropriation. There can be no doubt, however, that the line item method tends to produce a rigid and unyielding budget which is not adaptable to control during its operation. It tends also to produce a larger total of appropriations than would be produced under the lump sum method, because the obligation to anticipate and provide for every possible situation throughout a fiscal period which until after the study of appropriations is completed, necessarily leads to an enlarged total. By the minuteness with which the expenditures must be planned in advance, under line item appropriation, there is created a definite impetus to permit the plan to go through as ordained, since there is no effective way to design a new scheme should it be desirable.

The system of expenditure control through allotments is capable of operating, if desired, to keep expenditures within revenues, and if it is not permitted to deteriorate into a formal routine of parcelling out the appropriations, it is a means of affording such further reductions as may be desirable or necessary and which were not to be anticipated at the time of enacting the appropriations acts. The State always has the option of keeping expenditures within revenues, or of raising the revenues sufficiently to cover the expenditures. Changing circumstances may effect the choice, or may even require reversal of a choice previously made. Under the New York system, only one choice is really feasible, namely, to bring revenues up to the appropriations (or close the year with a deficit) since there is no formal mechanism for revising the rate of spending.

The Joint Legislative Committee on State Fiscal Policies described a procedure called "Enforced Savings" which was used during the depression years.¹⁶ While conceding that the

¹⁵ *People v. Tremaine*, 281, N. Y. 1.

¹⁶ *Report*, pp. 35, 36.

system had compelled the departments to economize during a lean period, the system was held to be intrinsically unsound:

Savings were effected by the department either by leaving positions vacant or not spending money for the items of maintenance and operation for which the appropriation was made. The items had been recommended by the Governor as necessary for the efficient operation of the department. The Legislature had been informed that a position was necessary and had appropriated money for such purpose. Either a deputy, for example, was needed or was not needed. If the department could operate without such deputy the appropriation should not have been made. The same situation applies to appropriations for maintenance and operation with the added factor that enforced savings in this category were generally made at the expense of repairs, an apparent economy but in fact the most costly of extravagances.

This comment refers to a system whereby the amount appropriated was smaller than the total of line items and the departments were required to keep within their respective totals. While such a method is one effective way to control total expenditures, it is obviously not at all the same as the method of control by allotment referred to here. Even so, the passage quoted above ignores the possibility that changed conditions may warrant modification of an appropriation program despite the fact that this program had at one time been advanced by the Governor and sanctioned by the Legislature.

It is submitted that there can never be completely satisfactory advance determinations of the amounts necessary to the efficient operation of any department. The disposition of department heads to overload their requests is well known, and the difficulty of eliminating all such padding in the rush of congested budget hearings is obvious. The Joint Legislative Committee on State Fiscal Policies conceded that the Legislature cannot adequately scrutinize the appropriation requests.¹⁷

Deficits versus Cash Basis. The lack of a formal mechanism of expenditure control, once the appropriations are enacted, tends to throw the entire responsibility for the avoidance of budgetary deficits upon the revenue receipts. Despite such forethought as the Governor and Legislature may give to this subject by way of tax rate changes and new revenue sources, the yield of a given tax structure cannot always be forecast with accuracy over a fiscal period. The recent history of New York State finances indicates that while there has been a considerable variation in

¹⁷ *Report*, p. 24: "It is impossible for the Legislature to determine whether a department is overstaffed or is receiving more maintenance than it actually needs. It is true that a department head may be called before the committee, but it is equally true that there has seldom, if ever, been a department head who has not felt that he should have bigger and better appropriations for his department so that he could perform the functions assigned to him on a bigger and better scale."

the annual revenues there has been no comparable flexibility in the annual expenditures. The latter have far greater capacity for expansion than for contraction. The relationship between revenues and expenditures through the years 1933-1942 is shown in the following figures which are characterized by the Comptroller as the operating surplus or deficit:

TABLE VII
STATE OF NEW YORK
OPERATING SURPLUS (+) OR DEFICIT (-)
(1933-1942)

Source: State Comptroller, Annual Report, 1942. vol. 1, p. 3.

YEAR		YEAR	
1933.....	-51,634,956	1938.....	+16,667,774
1934.....	+29,702,719	1939.....	-35,331,726
1935.....	-32,322,975	1940.....	-1,168,951
1936.....	+41,170,597	1941.....	+37,060,611
1937.....	+45,679,704	1942.....	+47,098,163

While this table shows a net excess of surpluses over deficits of \$96,920,960, the accumulated deficit prior to 1933 reduced the net surplus, as of June 30, 1942, to \$54,127,419.

It goes without saying that in the present outlook there is a special significance in this inability to adjust outgo to income during a fiscal year. The budgetary outcome for the fiscal year 1943 is now primarily dependent upon the revenues actually to be realized, and that such control over or influence upon that outcome which the Governor and the Legislature are able to exert terminated many months ago. It is likewise apparent that the effort expended upon the budget and the appropriation measures for the fiscal year 1944 will contribute but slightly to the assurance of a balanced budget in that year, for the reason that it becomes progressively more difficult to forecast the effects of the war and of the Federal fiscal policy upon the revenue prospects for the State of New York.

A fiscal policy which places the preponderant emphasis upon only one aspect of the financial system for the determination of the results of operation, is incomplete and unsatisfactory.

If the people of any state wish to indulge in the luxury of a deficit, which means the luxury of a scale of state services greater than their ability or willingness to support on a cash basis,¹⁸ they should at least enter upon this policy advisedly rather than by accident or indirection. They should not be exposed to the burden of substantial deficits while believing that a fiscal policy had been adopted under which current costs would be covered out of current revenues. New York has today no procedure by which a current cash basis of State operations can be assured if that is what the people want.

¹⁸ The term cash basis is used here to denote the absence of a deficit and not in its accounting sense.

The intent of the Constitution clearly is that current revenues shall at least equal current expenditures. The language in which the procedure of budget making is prescribed assumes that the Governor's annual budget will be in balance, and a budget which proposed expenditures in excess of estimated revenues, or which failed to contain recommendations for increasing the revenues to the level of the expenditures, could hardly be deemed a compliance with the constitutional mandate. The difficulties of implementing the constitutional provision have been noted above. They lie partly in the organic law itself, as interpreted by the courts, and partly in other features of the fiscal system.

PART II

STATE DEPARTMENT OF HEALTH

STATE DEPARTMENT OF HEALTH

Policy and Administrative Organization

In examining the administrative structure and relationships of the Department of Health, two important points stand out:

First: The district health officer (of which there are 20) is the backbone of the State public health service, and operates in effect as a diminutive version of the State Department of Health.

Second: Lines of control extend from some twelve departmental divisions to the district health officer, and he becomes subject to a multitude of orders, reports and correspondence with each of a considerable number of bosses.

It is recognized that no final judgment as to the efficiency of an organization can be formed on the basis of an organization chart alone. The personal element is always important. A good administrator can get good results even with a clumsy organizational structure, and a weak administrator may fail even with an ideal organization. But it is likewise true that better results can be obtained by the good administrator if his administrative organization is well adapted to the purpose.

At the hearing before the *Commission* on the subject of the general organization of the Department of Health,¹ the question of departmental organization was discussed at length. No conclusion was attempted, but it would appear that here is a subject which merits further study.

The objective of such further consideration of the organization of the Department of Health might well be to ascertain the degree to which the present arrangement, whereby various division heads participate in directing the operations and activities of district health officers may constitute an interference with, rather than a promotion of, the efficiency of the latter.² Admittedly the department needs a staff of experts in the central office for

¹ Pp. 218-261. The hearings (hereafter cited as *Hearings*) of the *Commission* were held in the Senate Finance Chamber, Albany, N. Y., and are reported as follows in three volumes: State of New York, *Joint Legislative Economy Commission, Hearing* (November 12, 1942), pp. 1-165 (mimeographed), dealing with tuberculosis hospitals; —, *Hearing* (December 10, 1942), pp. 166-261 (typewritten), dealing with the State fiscal affairs and the organization of the Department of Health; —, *Hearing* (December 17-18, 1942), pp. 262-474 (typewritten), dealing with the Departments of Mental Hygiene and Correction.

² Cf. Robert M. Benjamin, *Administrative Adjudication in the State of New York*, vol. 3 (1942), p. 5. Mr. Benjamin says of the Department of Health: "Most of the technicians under a DSHO [district state health officer] are personnel of some division in the central office at Albany. This makes for delicate problems of administration." Italics supplied.

the purposes of policy formulation. It is possible that the efficiency of this staff is impaired by the directional responsibilities assumed, just as it is possible that the operational efficiency of the district health officer is impaired by being subject to too many bosses.

Tuberculosis Hospitals

There are at present four State tuberculosis hospitals in the State of New York. Each hospital can be briefly described as follows:

TABLE VIII
DEPARTMENT OF HEALTH
STATE TUBERCULOSIS INSTITUTIONS AND COST DATA
(1942)

Source: From data submitted by the Department of Health.

LOCATION OF HOSPITAL	Rated Capacity	Average Daily Census	Full Time Personnel	RATIO OF PATIENTS		Cost per Patient per Day	Expenditures from General Fund ^a	Plant Valuation ^b
				To Physicians	To Nurses			
Ithaca.....	250	234	196	21	6	\$4.97	\$424	\$1,609
Mt. Morris.....	250	229	194	23	5	4.89	409	1,663
Oneonta.....	250	245	190	22	6	4.69	419	2,035
Ray Brook.....	384	360	242	33	8	3.48	457	2,165

^a 000 omitted, excluding capital outlays.

^b 000 omitted.

In addition to hospital operations, each hospital conducts within its area extensive field work, namely, clinic service, welfare work, educational programs, etc.

The State of New York has increasingly emphasized the care of tuberculosis patients as a public service. This is in line with emphasis toward more intensive social service that has marked the policies of both State and Federal governments especially during the past decade.

This development has been characterized by definite administrative, service and financial trends which may be summarized as follows:

First, State Control: Both control and treatment have moved toward the State Department of Health. The financial and administrative effects of this trend are discussed below:

Second, Costs and Services: The expansion and intensification of services have been largely responsible for a marked rise in expenditures and personnel over the past five years, as indicated in the table below:

TABLE IX
DEPARTMENT OF HEALTH
EXPENDITURES AND PERSONNEL IN STATE TUBERCULOSIS
HOSPITALS, 1938 AND 1942

(000 omitted)

Source: From data submitted by the Department of Health.

	ITHACA		MT. MORRIS		ONEONTA		RAY BROOK ^a	
	1938	1942	1938	1942	1938	1942	1938	1942
Total Expenditures	\$270	\$424	\$300	\$409	\$323	\$419	\$326	\$457
For:								
Personal Services	162	247	172	243	187	253	168	262
Services Other than Personal	108	177	128	166	136	166	158	195
Number of Employees	142	196	163	194	182	197	168	242

^a Capacity increased from 300 to 384 in 1940.

There has developed, in addition, a group of administrative and operational practices centering around reimbursement and services other than hospitalization which have added to public costs.

State Control. The responsibility for the treatment and prevention of tuberculosis was formerly a local function. Previous to 1919 the State department's responsibility in the treatment and direct control of tuberculosis related mainly to the care of incipient patients at Ray Brook. This service was inaugurated in 1903. Since 1919, when the department undertook to provide itinerant chest clinics, the State has increasingly assumed direct responsibilities.³

A major impetus to this trend occurred in 1931 when the Governor's Special Health Commission reported that certain areas in the State had inadequate or no public hospital facilities and recommended the construction of three State tuberculosis hospitals. These were established — Oneonta (1935) and Ithaca and Mt. Morris (1936). There is evidence in the commission's report that this move was not intended to impair local responsibility but was to provide State hospital facilities for the less wealthy communities.⁴

However, the additional functions added at the State level have centered around the State hospitals. There has, for example, been an expansion of field clinical service, surgery services offered

³ For a brief outline of the legal development, see N. Y. State Department of Health, *The New York State Tuberculosis Program* (1942), p. 5.

⁴ Governor's Special Health Commission, *Preliminary Report* (Feb. 19, 1931), p. 22.

to local governments, training facilities for hospital personnel, and educational services at both professional and lay levels.

The Department of Health has described the present activities of the hospitals in the following terms:⁵

Except in a few of these counties which have retained some of the local facilities existing prior to the establishment of the hospital districts, the State hospitals provide a complete tuberculosis program, including medical and surgical treatment, out-patient and itinerant consultation clinic service, follow-up of cases and contacts, etc. Each hospital is the center of the tuberculosis activities. This makes possible the fulfillment of the basic policy of providing a continuity of medical service from case-finding through treatment and follow-up.

In the other twenty-five counties of the up-state area the tuberculosis program is conducted by local tuberculosis hospitals or health departments, supplemented in a few instances by the direct assistance of non-official associations. Although the State Department of Health has no authority for the supervision or direction of the tuberculosis activities in these counties, a spirit of constant, mutual cooperation and assistance has prevailed, resulting in progressive improvement in the quantity and quality of service provided.

This development has raised a fundamental issue: *The relation of the State to the locality in tuberculosis treatment and prevention*. In other words:

Is the State deemed to be acting as the agent of those local units not providing their own hospital facilities? Or is the State deemed to have embarked upon a program of treatment and prevention of tuberculosis at the State level, independently of the local governments?

If the State hospitals are considered as agents of these localities, certain anomalies appear:

1. The localities have no effective control over patient admissions to hospitals.⁶

⁵ N. Y. State Department of Health, *The New York State Tuberculosis Program*, pp. 6-7. See also pp. 3-4.

⁶ The several counties not maintaining their own hospitals are "designated" as service areas for the State hospitals. This "designation" is performed by the Commissioner of Health, and the localities have no recourse. However, a county maintaining its own hospital may be "designated" only with the consent of the board of supervisors. The effect of "designation" is that a patient enters a State hospital directly and the county is made responsible for such portion of the charge for his care as the hospital finds the patient unable to pay. (Public Health Law, secs. 335-340.)

2. The State engages in case-finding and other services independently of the localities.⁷

3. The rate charged the local unit can be changed at any time by order of the Department of Health.⁸

4. There is no control by the local unit over the aggregate dollar cost.

If, however, this relation is not to be regarded as an agency relation — if the State has embarked upon the treatment and prevention of tuberculosis at the State level and on its own account — then other objections may be raised:

1. The designated areas must assist the State in supporting State hospitals without possessing the authority to determine either the amount charged or the direction of expenditure.

2. By appropriating funds in excess of reimbursements, the state places a double tax burden on areas maintaining their own institutions.⁹

3. The State assists some areas by grants-in-aid to maintain local tuberculosis hospitals, and thereby places an additional tax burden on all other areas.¹⁰

The lack of coordination between law and practice suggests that consideration be given to the establishment of a definite policy of State-local relations in tuberculosis treatment. There is evidently required a sharper delineation of functions between State and local levels, a matter eventually for legislative determination. The solution may follow one of three lines:

1. Full responsibility may be placed directly upon the State — this means a full span of State operations, case-finding, diagnosis, treatment, welfare and education in all areas.

⁷ There is no law requiring the State to engage in case-finding, but as Dr. Robert E. Plunkett (General Superintendent of Tuberculosis Hospitals) stated (*Hearings*, p. 80), it is undertaken as a matter of "professional responsibility." On the other hand, the law (Public Health Law, sec. 25) and Sanitary Code (New York State Department of Health, *The Sanitary Code* [1942], ch. II, regulation 1) places this responsibility upon the local boards of health and the local health officer, even though the county is "designated."

⁸ Public Health Law, secs. 335-340. The rate of charge is determined by the Commissioner of Health and the law stipulates that it "shall not exceed the average daily per capita cost of maintenance of six county tuberculosis hospitals." This basis has no relation to the cost or service rendered.

⁹ The rate of charge for care in the State hospitals is at present \$2.50 per day. Hospitalization of incipients at Ray Brook is free. The difference between the charges and cost (averaging \$4.39 per patient day) has amounted over the last five years to \$835,000 annually. This means that the taxpayers of counties maintaining their own hospitals must also contribute to the State hospitals.

¹⁰ The State makes grants-in-aid for the support of county tuberculosis hospitals meeting standards established by the Commissioner of Health.

In this case the State could (a) bear the entire cost, (b) share the costs with the serviced areas, or (c) place the entire cost on the serviced areas.

In each instance "costs" could include only charges for *indigent* patients, or it could include charges for *all* patients. There appears to be some sentiment in favor of State assumption of all costs of tuberculosis treatment. The fiscal implications of such a policy will require extended further study.

2. Joint service responsibility with the State may be placed upon the locality for such activities as the *locality* is able to undertake, and upon the *State* for such supplemental or additional activities or assistance to the localities as the Legislature may deem adequate or appropriate for control and treatment.

This resembles, in practice, the present policy. With regard to hospitalization, the inhabitants of a locality not maintaining its own institution have recourse to a State institution. The State and locality share the cost of hospitalizing indigent patients; in cases where the patient is able to pay, the State and patient share the cost. A county may maintain its own hospital and grants-in-aid are offered presumably to induce high standards. In case-finding, the State is particularly active in areas not undertaking clinic activity and encourages local activity through grants-in-aid.

Complete information regarding case-finding activity at the local level and by private organizations is not available. Data available to the Commission show that during 1941 the State made 18,740 clinic examinations and 24 local public hospitals made 72,153 examinations.¹¹ During 1942, grants-in-aid for tuberculosis clinics were made to 8 of the 38 counties not having county health departments.¹² In addition, mass surveys not on an areal basis are undertaken.¹³

3. Full responsibility may be placed upon the locality for case-finding, diagnosis, admission and welfare. The State would act as an agent of the localities in rendering medical and surgical treatment in State hospitals.

¹¹ N. Y. State Department of Health, *Annual Report*, 1941, vol. 1, p. 401; annual reports on local institutions prepared by the department, 1942.

¹² Data prepared for the *Commission* by the Department of Health.

¹³ Examples of case-finding projects conducted by the State Department of Health are:

- Men called for induction into the Army under the Selective Service Act
- Members of the National Guard, State Guard and other military units
- Patients and employees of State institutions for the insane and for mental defectives

- Workers in various industries

- Adults admitted to general hospitals

- Students in State teachers colleges

- Inmates of certain correctional institutions

N. L. State Department of Health, *The New York State Tuberculosis Program*, p. 10.

This point of view (with the local governments or the patients bearing the full costs) is in accord with the recommendation of the Governor's Special Health Commission (1931).¹⁴

Local responsibility and the administrative machinery for the control of tuberculosis are already provided by law. *The local boards of health are at present* charged with the control function.¹⁵ The local welfare department is responsible for the hospitalization of indigent patients and the local boards of health are responsible in some cases for patients who are able to pay but who refuse.¹⁶

The choice among these methods (or a combination of them) is a matter of public policy which will require the most careful consideration before a legislative determination can be made.

Costs and Services. In the following discussion of costs and services in the State tuberculosis hospitals, it should be understood that no attempt at economy is to be made or proposed to the detriment of the health of the citizens of the State. It is believed, however, that attention may profitably be directed to the subject of costs, as a means of bringing into the open for discussion the possibilities of reducing costs without impairing the range or quality of services.

There are two major categories of services and two corresponding categories of costs. These are: (1) the in-patient care; and (2) the out-patient care and special services. With the data available it is impossible either to separate these costs or to appraise the respective services. The General Superintendent of Tuberculosis Hospitals admitted that the department had no yardstick of efficiency to measure its services, either absolutely or by comparison with other institutions.¹⁷

In the discussion below use is made of comparisons, principally for the reason that they provide the only available approach to a consideration of services and costs. Caution must be exercised in interpreting cost comparisons among institutions even on the same governmental level. A number of factors may justify differences in cost—for example, variations in the type of patient, the quantity and quality of in-patient service, the quality and range of out-patient and special services, the architectural and other physical features of the several hospital plants.

¹⁴ The Governor's commission apparently did not intend that the service level be shifted from the counties to the State since it specifically recommended, "Except for the costs of construction for the State sanatoria, the costs of maintenance, care and treatment of patients should be borne by the county from which the patient comes." *Preliminary Report*, p. 25.

¹⁵ Public Health Law, sec. 25 and the Sanitary Code, ch. II, regulation 1. "Every local board of health and every health officer shall guard against the introduction of . . . [tuberculosis] by the exercise of proper and vigilant medical inspection and control of all persons and things infected with or exposed to such diseases, and provide suitable places for the treatment and care of sick persons who cannot otherwise be provided for."

¹⁶ Social Welfare Law, secs. 187-188; Op. Atty.-Gen. (1933), 449.

¹⁷ *Hearings*, p. 91.

Despite this caution, a prudent regard for all interests involved would appear to warrant the view that when marked differences in cost are encountered, the burden of proof is upon the administrator to establish a justification in terms of service or other factors. In the case of the tuberculosis hospitals there is no yardstick by which a concrete case can be made, and the explanation must therefore be in general rather than specific terms.

The total expenditures of the four State tuberculosis hospitals have increased from \$1.2 million in 1938 to \$1.7 million in 1942 — an increase of 40 per cent.

The average cost per patient day in the four State tuberculosis hospitals was as follows:

TABLE X
DEPARTMENT OF HEALTH
STATE HOSPITAL COST PER PATIENT DAY
(1942)

Source: From data submitted by Department of Health.

State average.....		\$4.39 ^a (\$4.51)	
Ithaca.....	\$4.97	Oneonta.....	\$4.69
Mt. Morris.....	4.89	Ray Brook.....	^b 3.48

^a The figures shown are calculated by dividing the total expenditures from the General Fund by the number of patient days. The average of the patient day costs in the four hospitals is \$4.51. The average, calculated by dividing the expenditures from the General Fund for the four hospitals by the total patient days, is \$4.39.

^b The lower cost in Ray Brook may be accounted for, in part at least, by the large number of incipient patients (162 or 44% of the 363 patients in Ray Brook as of August 1, 1942, as reported by the department to *Commission*) who require less care than the more advanced cases.

The average cost per patient day (1942) in seven county and municipal hospitals having an average daily census of more than 150 (exclusive of New York City hospitals) was \$3.24, and they ranged as follows:

TABLE XI
STATE OF NEW YORK
LOCAL HOSPITAL COSTS PER PATIENT DAY
(1941-1942)

Source: From the reports on local institutions prepared by the Department of Health.

Niagara.....	\$4.10	Oneida.....	\$3.31
Nassau.....	4.06	J. N. Adam.....	
Onondaga.....	3.72	Memorial Hospital.....	2.80
Chautauqua.....	2.20	Suffolk.....	^a 2.50

^a The reports, prepared during the summer 1942, cover the last local hospital fiscal period reports immediately preceding the report.

The difference in average cost per patient day as between the four State hospitals and the seven county and municipal hospitals is a serious financial consideration — \$464 per patient per year.

Hospital Personnel Ratios. The following table shows the number of staff physicians and nursing personnel in relation to the patient population:

TABLE XII
DEPARTMENT OF HEALTH
RATIOS OF PATIENTS TO PERSONNEL IN SELECTED
TUBERCULOSIS HOSPITALS

Source: Four State hospitals, from (1942) data submitted by Department of Health; seven county and municipal hospitals, from 1942 reports prepared by the Department of Health; hospitals operated by other states, *Journal of the American Medical Association* (Mar., 1940), vol. 114, pp. 787-796.

AVERAGE NUMBER OF	Four State Hospitals	Seven County and Municipal Hospitals	HOSPITALS HAVING AVERAGE DAILY CENSUS OF 150 OR OVER					
			Me.	Mass.	R. I.	Conn.	N. J.	Pa.
Patients per Physician	24.8	51	58	46	59	66	55	123
Patients per Nurse...	6.0	6.0	5.7	3.1	4.9	5.0	6.5	10.4
Per Cent Graduate Nurses to Total Nurses.....	77	48	81	44	43	88	47	55

The American Sanatorium Association established the following minimum standards:¹⁸

Every sanatorium shall have a medical director who must be a reputable, licensed physician; part-time service is acceptable if director spends two hours daily at institution. Competent medical service shall be quickly available at all times.

Each sanatorium shall have one resident assistant physician for every 60 patients or major fraction thereof after the first 60.

For the care of bed patients, the ratio of bedside nurses shall be not less than 1 to 7 patients.

For ambulant patients the ratio shall be not less than 1 to 30. (When well-trained orderly service is available, suitable credit can be given in calculating ratios).

The head nurse shall be a graduate of a general hospital or tuberculosis sanatorium training school.

Ten per cent of bedside nurses shall be graduate nurses.

Application of these ratios would indicate that in 1942 the New York hospitals employed 25 physicians and 88 nurses in excess of their minimum requirements of 18 physicians and 87 nurses. But these standards are applicable only to ordinary in-patient care. Extraordinary activities, such as New York's surgical and pathological services and field work, require additional personnel. The requirements of the special services can be ascertained only after segregation of the personnel allocations and activities. The department has no yardstick for measuring costs and efficiency, but there is no apparent reason why adequate

¹⁸ *Transactions of the Thirty-first Annual Meeting of the National Tuberculosis Association* (1935), pp. 368-369.

measurements of segregation costs should not be developed. Until this is done, personnel requirements can be based on little more than rule-of-thumb.

The Influence of Home Conditions on the Release of Patients. This is the problem of "custodial care"—the retention of patients by tuberculosis hospitals after the need for constant medical treatment has terminated.

The problem grows out of the fact that under New York hospital management, "home conditions" determine to an important degree the date of the patient's discharge.¹⁹

It has long been recognized that rapid turnover in hospitalization is the key to low unit costs. Conversely, a policy which requires patients to return to their homes when there is present a great risk of reinfection, merely because the hospital's expensive facilities are no longer essential to their complete recovery, would defeat the purpose of hospitalization. New York State has faced and continues to face a difficult situation in this field.

TABLE XIII
DEPARTMENT OF HEALTH
CUSTODIAL CARE PATIENTS IN STATE HOSPITALS

Source: Reported for one day by institutions, August, 1942.

	Totals	Ithaca	Mt. Morris	Oneonta	Ray Brook
Capacity.....	1,134	250	250	250	384
In-patient Load.....	989	219	190	217	363
Number of Patients Receiving Custodial Care.....	115	6	38	31	40
Per Cent In-patient Load.....	12	3	20	14	11

This table shows that about 12 per cent of the in-patient load, representing an estimated annual expenditure of \$150 thousand, is "custodial care."

There appear to be three possible courses:

1. The establishment of domiciles for those who require some institutional care at less cost than hospitalization, and of "colonies" (as in England) where families of patients can live in proper environments and partially or wholly

¹⁹ In response to the *Commission's* inquiry as to the factors which determine a patient's discharge, the replies from the institutions were as follows: *Ithaca*—arrested disease, maximum hospital benefit (assuming home conditions are favorable), insistent personal desire, death. *Mt. Morris*—Maximum hospital benefit (arrested disease), no further hospitalization necessary—all factors permit proper care at home, transfer to other hospital (rare), refusal of further hospitalization, death. *Ray Brook*—A.W.O.L., disciplinary, transfer, institutionally non-adjusted, economic reasons, sociological, maximum hospital benefit, no further hospitalization necessary, death.

sustain themselves at work, but under supervision at the several hospitals.²⁰ Such policy would be an expensive solution, requiring considerable sums in capital outlays.

2. (a) Continuance of the present policy of maintaining patients in all stages of the disease in hospitals equipped to care for those in the most critical conditions, or (b) specialization among the four hospitals.

The present policy is also expensive. The use of a portion of Ray Brook for incipient patients appears to indicate the possibility that some savings would accrue from greater specialization among the hospitals in various stages of the disease and methods of treatment. Objections might be raised to the transfer of ill patients and to the hospitalization of patients at great distance from their homes and friends.

3. Development of local public health and welfare responsibility for post-hospital supervision and care.

When maximum hospital benefit is reached, the medical problem by no means disappears, but the subsequent need is for medical supervision rather than for medical care. The local health and welfare authorities have full legal power to undertake the improvement of home conditions or the provision of nursing home care. In some instances these authorities may lack adequate administrative resources for these tasks, and in a number of instances they would lack the fiscal capacity. This course also involves expense.

The matter is not presented here merely as a means of suggesting some sort of transfer of burden from the State to the localities or vice versa. It is a subject of great importance to the future development of a sound and consistent health policy. Undoubtedly that future development does involve in a very significant way the tangible element of dollar cost as well as the intangible elements of service results expressed in both medical and social terms.

A satisfactory solution requires thorough and objective consideration of both the cost and the service elements involved. While no recommendation pointing to a solution can be made at this time, it is proper to advise that the objective should be to find the least common denominator. In this search there should be no preconceived judgments in favor of or in opposition to any available solution. Granting that in this case the service elements are paramount, it is the more essential that every effort be made to find the way to provide these services adequately at the lowest cost.

The Scope of In-patient Service. Further points of primary significance in connection with the future program are these:

How far should public money be used to support highly specialized treatments in competition with private effort?

Should the State assume the large unit costs that accompany the exceptional case?

²⁰ *Hearings*, p. 108.

Or is it better for a few outstanding private institutions to provide service in the highly specialized fields, and for the State or locality to reimburse them for such services as it may find necessary to supplement its own program?

An illustration is supplied in the field of surgery, in which the State now provides highly specialized services. According to Dr. Robert E. Plunkett,²¹

There is no hospital in New York State, nor any hospitals in the United States, that provide a safer, a more scientific and more thorough surgical service for its patients than the New York State hospitals.

The issue is whether the State can accomplish more by a policy of providing the best for a few, regardless of expense and regardless, too, of other possible facilities for supplying specialized services, than it can under a policy of applying the public resources to a broad range of patient needs while leaving extreme specialization to others.

A problem closely related to that of maintaining highly specialized services is that of providing for convalescent patients who need nothing more than nursing and occasional medical care. The transfer of such patients to lower cost private or other public hospitals or nursing homes might contribute to lower costs and accelerate the patient's recovery.

Free Hospitalization of Incipient Cases. Attention is directed to the fact that the full cost of hospitalizing patients with incipient (minimal)²² tuberculosis is borne by the State while for patients with more advanced cases the State charges either the patient or his county at the rate of \$2.50 per day. Originally, the counties were charged for incipient patients at Ray Brook at the rate of \$5 per week per patient but this charge was abolished in 1926.²³

The financial policies relating to the hospitalization of incipients, in Ray Brook, were not revised at the time in accordance with the policies formulated for the three newer hospitals. The desirability of establishing common reimbursement policies for patients in all stages of the disease is recommended for further study.

Collection of Accounts Receivable. As of June 30, 1942, the various hospitals had accounts receivable of \$678,721. Of this amount \$92,242 was due from patients and \$586,479 from local governments. The amount of accounts receivable has increased each year since 1938, and between that date and 1942 they more than doubled.

²¹ *Hearings*, p. 52.

²² *Hearings*, p. 58.

²³ *Hearings*, p. 56.

TABLE XIV
DEPARTMENT OF HEALTH
ACCOUNTS RECEIVABLE JUNE 30, 1938 TO 1942

(000 omitted)

Source: From data submitted by Department of Health.

As of JUNE 30	Total	Ithaca	Mt. Morris	Oneonta	Ray Brook
1938.....	\$325.8	\$31.6	\$101.7	\$192.5	.....
1939.....	487.6	66.0	157.6	264.0	.....
1940.....	639.1	84.0	204.6	344.3	\$6.2
1941.....	656.0	101.8	194.5	348.1	11.6
1942.....	678.7	93.9	190.1	370.6	24.0

During the fiscal year ending June 30, 1942, the four State hospitals made charges against patients and local governments amounting to \$780,430. The accounts receivable from patients and local governments on June 30, 1942, amounted to 87 per cent of the total charges made against patients and local governments during the past fiscal year.

TABLE XV
DEPARTMENT OF HEALTH
CHARGES AND ACCOUNTS RECEIVABLE

Source: From data supplied by Department of Health.

	Total	Ithaca	Morris	Oneonta	Ray Brook
Charges, ^a Fiscal year ending June 30, 1942.....	\$780.4	\$213.9	\$208.0	\$225.0	\$133.5
Accounts Receivable ^a as of June 30, 1942.....	678.7	93.9	190.1	370.6	24.0
Per Cent Accounts Receivable are of charges.....	87%	44%	91%	165%	18%

^a 000 omitted.

The reimbursement problem in the case of the tuberculosis hospitals is not different in any way from that of the mental hygiene institutions. The collection procedure for the latter has recently been reorganized. It is suggested that consideration be given to the utilization of the staff now engaged in collecting from mental hygiene patients for the collection of the amounts found to be due from tuberculosis patients.

PART III

STATE MENTAL HYGIENE HOSPITALS

[49]

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STATE MENTAL HYGIENE HOSPITALS

This survey deals with the eighteen mental hospitals operated by the Department of Mental Hygiene. The department also has charge of certain schools and colonies for mental defectives. These institutions are not included in this report.

Each mental hygiene hospital is briefly described in Table XVI.

TABLE XVI

DEPARTMENT OF MENTAL HYGIENE

DATA NEW YORK STATE MENTAL HYGIENE HOSPITALS (1942)

Source: From data submitted by Department of Mental Hygiene.

	Date Estab- lished	Certified Capacity	Average Daily Census	Per Capita Cost	Cost in Thou- sands	Per Cent Personal Service to Total Expendi- tures
METROPOLITAN						
Group I A						
(Capacity Range 5390-7831)						
Pilgrim.....	1931	7,831	9,116	\$330	\$3,031	53.3
Central Islip.....	1896	6,443	7,340	347	2,582	55.5
Rockland.....	1931	5,768	6,917	368	2,561	56.7
Kings Park.....	1896	5,390	6,302	382	2,410	59.1
Group I B						
(Capacity Range 2603-3904)						
Creedmoor.....	1912	3,904	4,617	384	1,773	59.1
Manhattan.....	1896	3,119	2,901	507	1,471	63.3
Brooklyn.....	1895	2,603	3,407	478	1,630	58.6
UPSTATE						
Group II A						
(Capacity Range 2519-4131)						
Hudson River.....	1871	4,131	4,510	435	2,015	58.9
Harlem Valley.....	1924	3,972	4,922	363	1,676	56.8
Middletown.....	1873	2,742	3,288	394	1,433	57.7
Rochester.....	1891	2,740	3,119	389	1,226	59.2
Willard.....	1869	2,519	2,821	436	1,256	62.3
Group II B						
(Capacity Range 1552-2391)						
Binghamton.....	1879	2,391	2,761	435	1,232	60.7
Gowanda.....	1898	2,228	2,365	378	930	62.9
Marcy.....	1923	2,140	2,531	430	1,111	61.4
Buffalo.....	1880	1,942	2,433	416	1,024	62.1
St. Lawrence.....	1890	1,721	2,020	525	1,104	57.0
Utica.....	1843	1,552	1,770	455	817	66.0

The Trend in Mental Hygiene

Providing care for the mentally ill is an increasingly large problem. The New York State mental hygiene hospitals now care for over 80,000 patients (including about 8,000 on parole) and spend around \$30 million to do so; and in order to spend each of these service dollars, approximately another dollar is required for extraordinary repairs, depreciation, interest on the investment and other costs.¹ The cost for maintenance of patients alone has increased each year during the past twenty years by about three-quarters of a million dollars. The outlook for further increase is such as to lead one authority to say recently:²

It has been calculated that one in twenty of the population of New York State at some time in his life will be under care in a mental hospital.

The service situation confronting the Department of Mental Hygiene therefore differs from that which faces the Departments of Health and Correction. The records of the Department of Health reveal that great strides have been made toward the control and eventual eradication of tuberculosis and other communicable diseases, and the State's prison population reached a peak in 1940 from which it has since been receding. The Department of Mental Hygiene, however, faces a further and possibly substantial increase in the demands made upon it.

Because of this prospect, the major opportunity for economy in mental hygiene service is to be anticipated through the development and intensification of procedures (administrative and therapeutic) whereby the existing plant and staff can care for a larger volume of patients. To prevent costs from rising as fast as the service load requires, effective technical practices leading to a more rapid patient turnover are required. This puts a premium on administrative and professional efficiency; for, unless these improvements are instituted, the State faces the necessity of large capital expenditures in the near future, since the existing institutions are already overcrowded.

The average daily census of the eighteen hospitals has increased from 65,920 in the fiscal year 1938 to 73,140 in the fiscal year 1942. This increase of 7,220 in five years may be compared with the 1942 average daily census of 7,340 in Central Islip. The cost of operating Central Islip in 1942 was \$2,582,000, and the cost of new construction for such an institution today would be many

¹ Department of Mental Hygiene, *Annual Report*, 1941, p. 158. The average per capita cost of maintenance of all patients in 1941 was \$386.46, or \$1.058 per patient per day. This cost did not include interest on investment, depreciation, extraordinary repairs, central office expenses and the additional disbursements occasioned in other State departments. The following total estimate is given: "Careful calculations made with a view of determining the exact expense show that the total cost is about two dollars a day."

² U. S. Public Health Service, *A Study of the Mental Hospitals of the United States, 1937-39*, Supplement No. 164, p. 13.

times that amount. Such capital outlay may be postponed or avoided to the extent that paroles and discharges counterbalance admissions.

Later discussion will show that by careful determination of patients eligible for parole, some 4,400 patients now hospitalized might be released. The immediate economy of this would be the cost of food and clothing, approximately \$100 per patient annually. But there would be delays if not ultimate prevention of much greater expenditure. The parole of 4,400 patients would permit the admission of this number of patients into the existing institutions without more serious overcrowding than now exists, and would thus forestall the necessity of providing a new hospital. "The average cost of building new State hospitals (before it became impossible to build them at all) was about \$4,000 per bed."³ On this basis, a hospital to accommodate 4,400 patients would represent a capital investment of over \$17 million. This capital cost is more than half of the \$30 million it takes annually to operate the present hospitals.

A program of such dimensions obligates the State to protect its people not only with services for increasing needs, but with economical administration of them.

The principal concern of this study is with the administrative functions of the Department of Mental Hygiene as revealed by its handling of certain problems of mental care and by the operation of individual hospitals. In the survey of hospital operation, the institutions were grouped, for purposes of comparison and facility of tabulating data, according to size and locality. Table XVI presents the grouping plan and selected introductory statistics.

Administrative Policies

Data compiled in the course of this survey and testimony developed during the hearing conducted by this *Commission* have made it evident that departmental policy reflects a conflict between high standards of professional achievement and a conciliatory paternalism in administrative control. Such conflict of attitudes naturally results in indefinite policies. This is demonstrated in the department's programs of:

1. Family care and parole.
2. Reimbursements.

The first is an extremely important policy concern. When it is possible that sometime in his life every person in the state will have a relative or close friend receiving treatment in such hospitals, and when his own chances of avoiding hospitalization

³ Temporary Commission on State Hospital Problems, *Progress Report* (Nov. 30, 1942), p. 3-a.

are only twenty to one, it is extremely vital that state policy and procedure be geared to protect future patients as well as those now under care. To that end it is important to concentrate on increasing patient turnover, and on promoting means of caring for patients outside the hospital.

Family Care and Parole. Although the short-sighted economy of premature parole or discharge should be avoided, it is not necessary in doing this to relax administrative and fiscal control in the interests of social welfare policy. After intensive treatment, when a given patient requires only a protective and not a hospital environment, he can and should, without jeopardy to himself or the community, be provided proper extra-mural care. Transferring patients as early as possible from hospital to out-patient care will be recognized as elementary and sound practice from both a business and a medical point of view. And yet this course has not been pursued as energetically as could be expected.

Patients are not paroled if the hospital feels that the social situations into which they would be released are disadvantageous. Patients are thus kept in the hospital, or in effect, family care becomes a compromise through which the hospital tries to control these social factors.

The State should face squarely the problem which is thus posed; and which may be stated as follows:

1. Either the department should become active in promoting and expanding family care and other community facilities for the supervision or treatment of mental patients, or
2. The department should prepare for an increasing volume of custodial care and a diminishing turn-over in census.

The former is obviously more acceptable, inasmuch as the primary obligation of a State hospital is to restore its patients to health, and since the State does not intend to retrogress in the services by which this obligation is met. And it is practical as well as progressive:⁴

Foster-family care is an indispensable means for unhampered "early discharge" and parole. All patients who for some reason cannot be placed in their own families should be put in foster families. . . . Foster-family care is applicable for almost all types of patients.

A proper expansion of and emphasis upon psychiatric social service would expedite the release of patients who no longer need the intensive service of State hospital facilities. Heretofore this aspect of the department's activity has suffered because its social service staff has been inadequate, its organization has been almost completely decentralized, and there has been advisory rather than

⁴ Dr. Ernst Bufe, "Family Care," *Proceedings of the International Congress on Mental Hygiene* (1932), pp. 393-394.

administrative oversight of this service at the hospital level. It would therefore seem wise for the State to embark on the serious development of its psychiatric social service program, giving due consideration to coordinating central office and district procedures in a pattern similar to the Reimbursement Bureau's organization.

This would provide the State with staff and organization to carry out any expansion or refinements it chose to make in parole and family care policy. One such possible refinement is a redefinition of family care as a working part of the mental hygiene program, that is, a clarification of whether family care is an extension of hospitalization proper or differentiated from hospitalization as a distinct matter in itself, like the department's program in regard to private institutions.

There are three forms of family care:⁵

The concentration type brings the patients together as a colony in a smaller district. . . . The dispersion type scatters the patients in small groups over a wide area without any connection with a hospital. . . . The adnex type make family care an extension into the community of the institution.

The last of these types is applied in New York. Under this conception, these foster homes may be explained as semi-private wards, off the hospital grounds but as integral a part of the institution as ward service within hospital buildings. And here is encountered a conflict of policy which grows out of the lack of competently organized psychiatric social service. Under the present system the individual hospitals have authoritative jurisdiction over foster homes.⁶ With respect to the medical aspects of treatment, naturally the psychiatrists must retain jurisdiction. But foster care activity in its administrative and social service aspects, stemming from and being in effect part of the whole mental hygiene program rather than part of a given hospital, is more properly a matter requiring central office administration and program coordination. A good parallel is the control and direction of nurses in any hospital by a head nurse or director of nurses, although each nurse obeys the doctor's instructions with respect to the care of individual patients. The Temporary Commission on State Hospital Problems proposed a central office for conducting the parole supervision of patients on parole or in family care in New York City, and advised that careful study be given to the development of similar parole centers in various upstate areas.⁷

⁵ *Ibid.*, p. 393.

⁶ The Temporary Commission on State Hospital Problems says: "The hospitals vary considerably in their objectives as to family care and these objectives affect the choice of patients, the choice of families in which they are to be placed, and the length of time the patients may need to be boarded in families." *Progress Report* (1942), p. 18.

⁷ *Op. cit.*, p. 16.

Therefore in planning definite expansion of the family care program, these questions should first be asked:

1. Is the idea of family care basically an extension of in-patient treatment, or is it primarily an out-patient service? Does the concept of hospitalization impose responsibility for extra-mural treatment?

2. If family care is not an intrinsic part of hospitalization,

(a) does the State wish to continue administering it as such? or,

(b) does its obligation to the mental hygiene program as well as to its citizens actually require only state promotion and supervision of foster homes?

(c) If it is *service* to the out-patient, rather than his continued maintenance, which is expected of the hospital, would it be more appropriate to

(i) administer family care as a form of parole in or to the community? and,

(ii) substitute promotion and supervision for the State's present responsibility in this function?

If the State chose to pursue course (c) above, then expansion of family care facilities through extensive home-finding and registration or licensing would provide opportunities for persons to receive this protective, supervised care *without first having to be committed to a State hospital*. Although the quality of service given by New York State hospitals has greatly reduced the stigma once associated with "asylums," nevertheless there are many who would undoubtedly prefer to avail themselves of family care facilities as a means of preventing the need for hospitalization. "Family care means fighting against hospitalization,"⁸ and what better time is there to fight against hospitalization than *before* it becomes necessary?

Under this plan of care, families who can afford to carry their own responsibilities would have available not only the facilities of private institutions, but also of private homes, both of which would bear the stamp of State investigation, license and supervision.

Reimbursement. Another means by which greater protection of expenditures may be assured is through increased reimbursements. Although the purpose of the New York State mental hygiene hospitals is to provide free care and treatment for those who are without means or who have no legally responsible relatives able to pay,⁹ it is the obligation of the State to determine who cannot pay. Since only 25 per cent of first admissions are

⁸ Dr. Ernst Bufe, *op. cit.*, p. 392.

⁹ Department of Mental Hygiene, *Rules and Regulations, General Order 9*. Also, *Mental Hygiene Law*, sec. 22.

of "dependent" economic status,¹⁰ it would seem unnecessary for the State to give free care to 90 per cent of its mental hygiene patients.

But the State has done exactly this, as column B in Table XVII indicates:

TABLE XVII
DEPARTMENT OF MENTAL HYGIENE
RATIO OF CHARGES TO TOTAL EXPENDITURES
ACTUAL COLLECTIONS TO CHARGES, AND COLLECTIONS TO
EXPENDITURES 1939-1942 INCLUSIVE

Source: From data submitted by Department of Mental Hygiene.

INSTITUTIONS		Per Cent Total Expenditures Charged A	Per Cent Total Expenditures Collected B	Per Cent Charges Collected C
IA	Pilgrim.....	12.3	7.6	62.0
	Central Islip.....	9.8	8.4	86.3
	Rockland.....	13.0	7.9	60.6
	Kings Park.....	14.2	9.2	65.2
IB	Creedmoor.....	15.3	9.7	63.9
	Manhattan.....	8.7	5.1	59.2
	Brooklyn.....	12.2	7.1	58.2
IIA	Hudson River.....	15.8	11.0	69.9
	Harlem Valley.....	13.5	8.3	62.0
	Middletown.....	17.0	11.9	69.8
	Rochester.....	16.3	10.7	65.6
	Willard.....	11.3	6.8	60.4
IIB	Binghamton.....	9.7	5.9	60.2
	Gowanda.....	11.0	9.5	86.9
	Marcy.....	11.4	7.2	63.7
	Buffalo.....	15.1	10.5	67.0
	St. Lawrence.....	11.6	8.0	68.4
	Utica.....	15.5	11.4	73.8

The Reimbursement Bureau, which was established to collect from those able to pay, has recently been reorganized with wider authority and a larger staff, and the collection record is definitely improving. However, there is clearly still a considerable area in which careful determination of ability to pay and even further authority to collect would increase the revenue from patients.

In expanding the authority of the Reimbursement Bureau, the following should be considered:

1. Enabling specifications in the Mental Hygiene Law. Since it concerns indigents, the law should be, in respect to collection powers, etc., fully as specific as sections 102 through 106 in the Social Welfare Law.

¹⁰ Department of Mental Hygiene, *Annual Report*, 1941, Table 20.

2. Plans for the bureau's own lawyers to carry out necessary prosecution, rather than continuing to refer claims to the Attorney-General's office.

3. The possibility of having the department, through this bureau, act as conservator for estates wholly devoted to the maintenance of patients in the State hospitals.

In brief review, improved service and economy would result if the department were to:

1. Redesign its psychiatric social service organization;
2. Expand the family care program and redefine the department's responsibility therein;
3. Increase the authority of the Reimbursement Bureau.

Direction of Hospital Operations

Although adoption of the suggestions mentioned above would improve service and lead to economies, the widest field for increased economy is in the actual direction of hospital operations. Here the most important considerations are:

1. Control of standards.
2. Supervision of expenditure.
3. Hospital operations.

Control of Standards. In the control of standards of care, norms are initiated by the central office but the controls have evidently been in the hands of the hospitals. Since uniformity of service and economy of operation are closely related to the control of standards, this renders the individual hospital and not the department the governing factor.

For example, leeway in the choice and development of treatment methods have produced varying results in hospital service, as Table XVIII indicates:

TABLE XVIII
DEPARTMENT OF MENTAL HYGIENE
SUMMARY RESULTS OF HOSPITAL TREATMENT
(1942)

Source: From data submitted by Department of Mental Hygiene.

INSTITUTION		Per Cent Parolees to Book Population	Index of Rehabilitation ^a	Length of Stay in Years
IA	Pilgrim.....	8.9	9.0	5.4
	Central Islip.....	10.0	10.0	9.4
	Rockland.....	12.9	14.0	4.4
	Kings Park.....	11.1	8.8	6.2
IB	Creedmoor.....	10.9	10.9	4.5
	Manhattan.....	9.1	13.2	2.4
	Brooklyn.....	23.1	30.5	1.7
IIA	Hudson River.....	5.3	6.5	6.4
	Harlem Valley.....	6.1	4.6	9.4
	Middletown.....	4.5	4.9	7.7
	Rochester.....	7.5	7.1	6.3
	Willard.....	6.2	6.9	7.0
IIB	Binghamton.....	7.1	9.2	5.4
	Gowanda.....	11.8	11.1	4.7
	Marcy.....	9.9	11.1	3.8
	Buffalo.....	11.4	9.7	4.4
	St. Lawrence.....	5.8	9.3	5.4
	Utica.....	11.1	14.8	3.3

^a Ratio of discharges (excluding deaths and transfers) to average daily census.

This table shows interesting variations among the hospitals. Excluding Brooklyn, which as a "reception" hospital has disproportionately high and fast turnover, the hospitals ranged from 5 to 13 per cent in the number of book population on parole, from 5 to 15 per cent in rate of rehabilitation as indicated by discharges, and from two to nine years in length of stay per patient. In explanation of these varying records, the department points to the differences in types of patients,¹¹ and the difficulties of adequate performance when conditions are not ideal.¹² These are influential factors, but they seem not to account fully for the situation. Nor does the department's reliance on generalizations encourage the hospitals to display initiative, to make aggressive innovations in the face of handicaps.

There is, of course, differentiation in the types of patients in the various hospitals, but, in a total population of 73,000 patients, is it likely that this alone would be more determinate than differences in standards of treatment?

¹¹ *Hearings*, p. 327.

¹² *Ibid.*, pp. 287, 304-305, 322-325, 343. Understaffing and overcrowding are chiefly emphasized.

TABLE XIX

DEPARTMENT OF MENTAL HYGIENE

SELECTED DATA SHOWING TREATMENT RESULTS, 1942 OVER 1938, IN
RELATION TO UNDERSTAFFING AND OVERCROWDING, 1942

Source: From data submitted by Department of Mental Hygiene.

INSTITUTION		1942		PER CENT CHANGE, 1942 OVER 1938	
		Per Cent Under- staffed	Per Cent Use to Capacity	Number of Employees	Index of Rehabilita- tion
		A	B	C	D
IA	Pilgrim.....	24	116	+ .2	+ 3.7
	Central Islip.....	20	114	+ .9	- .3
	Rockland.....	16	120	+24	- .3
	Kings Park.....	16	117	.2	- .9
IB	Creedmoor.....	8	118	+ 3	+ 2.5
	Manhattan.....	5	93	-18	-10.3
	Brooklyn.....	.8	131	+69	- 5.4
IIA	Hudson River.....	8	109	- 7	+ .4
	Harlem Valley.....	9	124	- 7	- 1.6
	Middletown.....	7	120	+ 2	- 1.1
	Rochester.....	13	114	- 5	+ 1.0
	Willard.....	15	112	-12	+ .7
IIB	Binghamton.....	6	116	+ 4	- .3
	Gowanda.....	17	106	-10	+ 1.0
	Marcy.....	9	118	- 5	+ .9
	Buffalo.....	6	125	- .8	- 2.7
	St. Lawrence.....	2	117	0	+ 1.7
	Utica.....	10	114	- 7	- 1.1

Columns A and B indicate a potential impairment of services because of limited staff and crowded capacity. But C indicates in general that the number of employees has changed very little, while D shows that, for the most part, the institutions continue doing much the same standard of work.

Under current circumstances there are certainly handicaps to efficient administration. The department has emphasized overcrowding of patients and understaffing in personnel. These exist. There is overcrowding and understaffing. Neither should be minimized nor overemphasized. Both are in relation to standards which are set up to attain as ideal a situation as possible in regard to the space and service provided each patient. But setting up ideal standards and overestimating the damage done when circumstances prevent their attainment do not alter either the evidence presented in Table XIX in regard to actual performance, nor the implications of the work done by the Temporary Commission on State Hospital Problems.

The table indicates that even under trying circumstances, services have not been impaired or curtailed to a critical degree, and

that hospital procedures can be adjusted to prevent the maximum ill effects of diminished staff and facilities.

This flexibility of hospital program has been demonstrated by the Temporary Commission on State Hospital Problems. That commission put into effect a case review method¹³ which amounted to a reallocation of duties within the hospitals themselves, by assigning to one doctor the exclusive review of cases of parole and family care possibilities. That commission did provide some personnel to the hospitals for the study but the additional "employees" were so few as to be negligible in the percentage of understaffing.

This plan was and still is feasible for the hospitals to carry out on their own. As executed by the temporary commission, it was simple, the changes of procedure few, and the necessary added personnel far from prohibitive. With initiative on the part of the department or the individual hospitals, this could have been instituted as a regular part of hospital procedure. The failure to do this is somewhat of an indictment. Concentrated case review is generally recognized as part of good administrative practice in public assistance.¹⁴ The concept is pertinent to and significant for other branches of welfare activity, mental hygiene included, and it is no more difficult to develop techniques appropriate to the particular problems involved in mental hygiene than it is elsewhere. The results which might have been obtained are shown by the temporary commission,¹⁵ and there is no reason to believe that they are not typical:

At Central Islip, 7,384 patients were surveyed, of whom 360 were found eligible for parole, 139 suitable for family care—a total of 499, or 6.7 per cent of those surveyed.

At Marcy State Hospital, 2,568 patients were surveyed, of whom 97 were found eligible for parole, 168 suitable for family care—a total of 265, or 10 per cent of those surveyed.

It is probable that similar surveys of other institutions would indicate at least 4 per cent eligible for parole and at least 2 per cent suitable for family care. On a basis of over 73,000 patient population this would mean that about 4,400 patients could be released from hospitalization—or the equivalent of the number of patients in Hudson River, which spent two million last year.

If this number of patients can be found eligible for parole or family care with only slight changes in procedure and staff, even greater results might be expected from the intensive diagnosis and

¹³ *Op. cit.*, p. 8.

¹⁴ New York and Massachusetts were early leaders in case review methods which have received wide attention. For example, the topic, "Case Review as a Method of Supervision in Public Assistance" was on the program of the National Conference of Social Work at the 1941 meeting. See also, "The Case Review Process, A Method of Case Supervision", published by the Public Welfare Association, 1940.

¹⁵ *Op. cit.*, p. 8.

treatment which would be possible by adjustment of the patient-employee ratios toward the norms recommended by the department.

Supervision of Expenditures. Departmental control of expenditures is inadequate and there is defective standardization in budgetary requirements. For instance, Table XX shows, in regard to the 1943-44 budgetary requests of the various institutions, rather extreme variations in maintenance and operation items.

TABLE XX
DEPARTMENT OF MENTAL HYGIENE
MAINTENANCE AND OPERATION AND DEFICIENCY REQUESTS
IN 1942-1944 BUDGET, IN RELATION TO
1942-1943 APPROPRIATIONS

Source: From budget requests for 1943-1944.

INSTITUTIONS	Estimated Census Increase	\$000 OMITTED		PERCENTAGES	
		Net Requested Increase for Maintenance and Operation	Deficiency Request, Maintenance and Operation	Deficiency to Total Requested Increases in Maintenance and Operation	Requested Increase in Maintenance and Operation over 1942-43 Appropriation
	A	B	C	D	E
IA	Pilgrim	0	117	0	8
	Central Islip	600	299	179	20
	Rockland	200	56	0	5
	Kings Park	0	194	43	18
IB	Creedmoor	100	124	95	17
	Manhattan	0	14	0	3
	Brooklyn	650	109	0	17
IIA	Hudson River	100	167	169	20
	Harlem Valley	100	137	110	18
	Middletown	100	88	71	16
	Rochester	50	56	32	11
	Willard	200	65	a	13
IIB	Binghamton	0	87	75	16
	Gowanda	150	135	98	40
	Marcy	100	64	59	15
	Buffalo	50	35	25	9
	St. Lawrence	0	111	100	24
	Utica	0	67	48	23

a = \$326.

Column A, total, 2,400; column B, total, \$1,924,000; B/A indicates a per capita request of over \$800 for maintenance and operation items alone; column D = per cent that C is of B + C, i.e., the per cent of this year's maintenance and operation request asked to meet last year's "over-expenditures"; column E demonstrates the range of guessing that each hospital did as to the amount it would require in 1944 in relation to estimated census increases shown in A.

Among the discrepancies and variations shown in the above table, the following may be noted:

Six hospitals, with no estimates for census increases, varied in their increased maintenance and operation requests from a low of \$14,000 to a high of \$194,000.

Estimates in census increases varied from 50 to 650, and requested appropriations to meet these increases varied from one to ten times as much as the per capita costs of the several institutions would justify.

On an estimated total increase of 2,400 patients, a total appropriation of \$2,000,000 was requested—a per capita of \$800 for maintenance only. This is four times as much as is necessary.

A similar condition exists in line budget requests, even in those estimated figures on a per capita basis—such as food and clothing.

Deficiency items, too, show the same wide diversity.

Such variations cannot be explained on the basis of price rises, or patient population, nor are they due to the presence or absence of deficiency items, which were treated separately. The record on budget practices therefore constitutes a criticism of the central office, either for allowing the hospital superintendents to become independent of guidance in their fiscal management, or for the departmental budget procedure itself. And yet a hearing before the *Commission* concerning the mental hygiene institutions developed the following point of view from the Department:¹⁶

Institutional budgets and departmental budgets are not padded with the expectation of getting a three-quarters or a half of what they ask for. That is not our policy; it never has been our policy, and we have tried rigorously to prevent any such thing.

Hospital Operations. The department has not been disposed to make searching inquiry into the costs of individual hospitals. Rather, it has been inclined to rely upon superficial, and in some cases, inadequate explanations of cost variations. Thus, the differences in total per capita costs among hospitals were explained by reference to the age and layout of buildings, the amounts spent on repairs and equipment replacements, and the number of kitchens and dining rooms.¹⁷ However, these reasons did not hold under scrutiny as valid explanations for cost variations:

1. For example, in regard to age and size of hospital as affecting cost:

Gowanda is one of the older and smaller hospitals, but its low per capita cost for 1942 compares favorably with that of *Rockland* which is one of the newer and larger institutions.

¹⁶ *Hearings*, p. 329.

¹⁷ *Ibid.*, pp. 267-269; 308-309.

Hudson River and *Middletown*, built within two years of each other, but varying in certified capacity by 1400, differ in 1942 per capita costs so much that it costs *Hudson River*, the larger institution, almost \$112,000 more than it does the smaller one to care for patients equal in number to the capacity of the smaller hospital.

On the other hand, *Kings Park* and *Creedmoor*, a large and a small metropolitan hospital, also differing 1400 in certified capacity, and within fifteen years of each other in age, vary less than \$2 in per capita cost.

Rochester and *Willard*, both among the older and smaller hospitals, differ so much that Rochester could maintain patients equal in number to the capacity of *Willard* at almost \$120,000 less than *Willard*.

2. Furthermore, the contention is not valid that the older institutions spent more on repairs and equipment replacements, and thus accounted for differences in costs.

TABLE XXI

DEPARTMENT OF MENTAL HYGIENE

PERCENTAGE OF TOTAL 1942 EXPENDITURES DEVOTED TO REPAIRS
AND EQUIPMENT REPLACEMENTS IN SELECTED HOSPITALS*Source:* From data submitted by Department of Mental Hygiene.

HOSPITAL	Date	PER CENT OF EXPENDITURES FOR:		1942 Total Per Capita Cost
		Repairs ^a	Equipment Replacements	
Utica.....	1843	.8	.2	\$455
Willard.....	1869	2.5	.4	436
Hudson.....	1871	2.0	1.0	435
Middletown.....	1873	2.0	.4	394
Binghamton.....	1879	1.4	.4	435
Pilgrim.....	1931	1.5	.4	\$330
Rockland.....	1931	1.8	.2	368
Harlem Valley.....	1924	2.0	.2	363
Creedmoor.....	1912	2.1	.5	384

^a Sum of *Repairs* and *Special Repairs* and/or *Maintenance Undistributed* when it was indicated that repairs were involved.

3. The differences in number and layout of kitchens and dining rooms and the prevalence of the cafeteria type of service were emphasized by the department.¹⁸ Because of the varying numbers of employees required, these differences do affect cost. But this effect would be much more conspicuous in a comparison of the unit costs of preparing and serving food than in the overall hospital per capita costs. Wages in this classification are among the lowest paid by the hospitals, and they therefore do not bulk large in total personal service expenditures. Consequently they cannot be the cause of wide variations in total per capita costs. This is borne out by the data in Table XXII.

¹⁸ *Hearings*, pp. 267, 308-309.

TABLE XXII

DEPARTMENT OF MENTAL HYGIENE

VARIATIONS IN KITCHEN AND DINING ROOM ARRANGEMENTS IN
RELATION TO TOTAL PER CAPITA COST FOR CERTAIN HOSPITALS*Source:* From data submitted by Department of Mental Hygiene.

	Number of Kitchens	NUMBER OF DINING ROOMS		Per Cent Kitchen and Dining Room Employees to Total Employees	1942 Total Per Capita Cost
		Total	Cafeteria Style		
Binghamton.....	31	49	^a 11	11.13	\$435
Hudson.....	20	44	^b 19	8.55	435
Rochester.....	20	44	^c 24	7.42	389
Willard.....	10	44	^c 25	13.75	436
Buffalo.....	3	13	^d 5	10.77	416
Manhattan.....	6	16	^c 3	8.13	507
Marey.....	5	18	^e	11.45	430
Utica.....	7	1	^b 2	10.90	455

^a Undetermined whether for patients or employees, or for both.^b Number of cafeteria style dining rooms for both employees and patients.^c Number of cafeteria style dining rooms for patients only.^d Number of cafeteria style dining rooms for employees only.^e 1924 patients served.

The above table compares a group of hospitals having the greatest number of kitchens and dining rooms with a group having the smallest number. No relation can be found between the diffused or concentrated arrangement of these facilities and total per capita cost.

Probably the data which give the clearest picture of variations among hospitals are the per capita costs for major maintenance and operation items. Table XXIII presents some data relative to food costs.

Some curious variations appear in this table. The hospitals in the metropolitan area would be expected to buy food on about the same terms. Yet there is a difference of \$10 to \$11 per capita between the allowance for Brooklyn and Manhattan and that for the other hospitals in this area.

This difference may have been intended as an offset to farm production since Brooklyn and Manhattan have no farms.

TABLE XXIII
DEPARTMENT OF MENTAL HYGIENE
ESTIMATED AND ACTUAL PER CAPITA COST OF FOOD, AND PER CAPITA
COST OF MEALS, 1942

Source: From data submitted by the Department of Mental Hygiene.

		Budgetary Per Capita Estimate for Cost of Food ^a	Per Capita Expendi- tures for Food ^b	Per Capita Diff., Expendi- tures to Estimate	Per Capita Cost of Meals	Per Capita Diff., Meal to Food Costs
		A	B	C	D	E
IA	Pilgrim	\$74	\$84.40	+ \$10.40	\$86.89	+ \$2.49
	Central Islip	75	80.94	+ 5.94	86.44	+ 5.50
	Rockland	76	87.83	+ 11.83	89.22	+ 1.39
	Kings Park	76	76.88	+ .88	83.82	+ 6.94
IB	Creedmoor	\$75	\$78.58	+ \$3.58	\$80.77	+ \$2.19
	Manhattan	85	97.58	+ 12.58	97.58	c
	Brooklyn	84	100.82	+ 16.82	100.82	c
IIA	Hudson River	\$78	\$85.99	+ \$7.99	\$92.40	+ \$6.41
	Harlem Valley	75	74.41	- .59	80.65	+ 6.24
	Middletown	83	84.71	+ 1.71	98.58	+ 13.87
	Rochester	76	88.38	+ 12.38	94.05	+ 5.68
	Willard	74	76.43	+ 2.43	99.90	+ 23.47
IIB	Binghamton	\$85	\$77.85	- \$7.15	\$109.28	+ \$31.43
	Gowanda	75	65.15	- 9.85	88.02	+ 22.87
	Marcy	77	72.41	- 4.59	86.27	+ 13.61
	Buffalo	74	87.60	+ 13.60	87.81	+ .23
	St. Lawrence	81	78.01	- 2.99	110.92	+ 32.91
	Utica	77	69.42	- 7.58	94.74	+ 25.32

^a Figures provided by the department; computed to include employees receiving meals at the hospitals.

^b Computed to include employees receiving meals at the hospitals.

^c No farms.

Col. A — Estimate used in budgeting the food appropriation for 1942.

Col. B — Actual food expenditure per capita, 1942.

Col. C — Col. B minus Col. A.

Col. D — Per capita cost of meals includes food purchased and value of farm products consumed, except for Manhattan and Brooklyn.

But Column E, which shows the difference between the cost of food purchased and the total per capita cost of meals including farm products, reveals that the farm products are worth much less than this differential, even with the distortion produced by the peculiar system of over-valuing the products of institutional farms.¹⁹

Equally bizarre differences occur in the estimated allowances for upstate hospitals. Middletown and Binghamton are given per capita food cost estimates in the same range as Brooklyn and Manhattan, while the others are in the range allotted to the remaining metropolitan institutions. The case of Binghamton deserves special notice. Instead of the projected per capita food cost of \$85 in 1942, the actual cost was only \$77.85, which places this hospital on the same level of estimates as the other upstate institutions of its size class. Yet Binghamton has one of the most productive farms. Consequently the distortion produced by the over-valuation of its farm produce results in a very high per capita cost of meals and in an abnormal differential between total meal cost and food cost. St. Lawrence, Willard, Utica and Gowanda suffer similarly.

The actual per capita expenditure for food is in some cases above, in other cases below, the budgetary basis estimate. Utica spent \$7.58 per capita less than the estimate, while Brooklyn exceeded that basis by \$16.82 per capita. Rising food costs may account for an expenditure above the budgetary estimate, but this factor alone should operate with reasonable uniformity everywhere.

The value of farm products consumed naturally varies with the size and productivity of the institutional farms. In general, the upstate institutions do better in this respect, but the peculiar system of overvaluing the farm products of institutions distorts these results.

The table suggests that the per capita figures used in estimating food appropriations are of little value, either as a guide to actual requirements or as a means of controlling food costs.

The per capita expenditures in 1942 for clothing and for household and laundry also vary considerably. Appropriations for these items, too, are based on per capita guides established by budget procedure. Yet the ranges of \$4.99 at Gowanda to \$10.55 per capita at Pilgrim for clothing, and from \$7.42 at Pilgrim to \$13.24 at Brooklyn for household supplies, suggest again the ineffectiveness of control through such an estimate. The per capita expenditures for clothing and household items in 1942 for all hospitals are shown in Table XXIV.

¹⁹ *Hearings*, pp. 363-365.

TABLE XXIV

DEPARTMENT OF MENTAL HYGIENE

PER CAPITA COST OF CLOTHING AND HOUSEHOLD ITEMS, 1942

Source: From data supplied by the Department of Mental Hygiene.

INSTITUTION		Per Capita for Clothing Expenditures	Per Capita for Household, Laundry, Etc., Expenditures
IA	Pilgrim.....	\$10.55	\$7.42
	Central Islip.....	8.49	9.81
	Rockland.....	6.09	8.60
	Kings Park.....	8.15	9.63
IB	Creedmoor.....	9.40	10.18
	Manhattan.....	5.59	8.48
	Brooklyn.....	9.11	13.24
IIA	Hudson River.....	6.61	10.40
	Harlem Valley.....	9.99	9.20
	Middletown.....	9.60	12.25
	Rochester.....	6.49	8.73
	Willard.....	7.52	9.82
IIB	Binghamton.....	8.93	10.57
	Gowanda.....	4.99	9.71
	Marcy.....	6.67	11.64
	Buffalo.....	6.55	9.72
	St. Lawrence.....	6.17	10.24
	Utica.....	5.93	7.64

In general, then, the department has provided inadequate explanation of the rather curious variations in hospital operating costs. This would appear to be adequate demonstration that inquiry into the reasons for them has not been pushed. And without requisite facts there cannot be adequate control.

A summary picture of differences in operation, hospital to hospital, over a five-year period, is shown in Table XXV. This table reflects the effects of decentralized control and suggests that the degree of managerial efficiency in individual hospitals is the answer to cost variations. For example, a general competency in the fiscal management of metropolitan hospitals over upstate institutions seems apparent. Specific examples showing contrast and comparison as revealed by the table are:

A similar pattern is seen in *Pilgrim*, *Central Islip* and *Kings Park*, where census increases were 12.3 per cent to 15.0 per cent, increase in the number of personnel only a fraction of 1 per cent, and total costs up 8.4 per cent to 11.0 per cent. This naturally made for consistency in decrease of per capita cost: *Pilgrim* 3.8 per cent, *Central Islip* 4.8 per cent, *Kings Park* 4.7 per cent.

Rockland and *Brooklyn* showed the greatest changes; increases of 47 per cent and 63 per cent in census, large personnel increases, but costs kept down to so favorable a pro-

portion that their respective drops in per capita costs were 8.9 per cent and 17.7 per cent which suggests careful administration, especially so regarding *Brooklyn* whose costs increased only as much as *Rockland*.

Manhattan, of course, had been allowed to deteriorate since evacuation was planned. Census dropped 12.6 per cent, the number of employees was reduced 17.9 per cent; but the costs were not kept in proportion, decreasing in total only 8.2 per cent, thus making for an increased per capita cost of 5 per cent. This, despite the plan not to continue permanent use of the institution, suggests rather short-sighted economy or casual fiscal management for the period 1938 to 1942.

TABLE XXV
DEPARTMENT OF MENTAL HYGIENE
SUMMARY OF PERCENTAGE CHANGES, FISCAL YEARS
1942 OVER 1938

(+ = increase; - = decrease)

INSTITUTION		Average Daily Census	Per Cent of Use to Capacity	Index of Rehabili- tation	Total Per Capita Cost	Total Cost	Number of Em- ployees	Per- sonal Service Cost	Change in Per Cent Cost Personal Service to Total Cost
IA	Pilgrim.....	+15	+15	+ 3.7	- 4	+11	+ .2	+ 6	-3
	Central Islip...	+12	- .5	- .3	- 5	+ 8	+ .9	+ 4	-2
	Rockland.....	+47	+20	- .3	- 9	+34	+24	+30	-2
	Kings Park....	+15	+10	- .9	- 5	+ 9	+ .2	+ 3	-6
IB	Creedmoor.....	+ 8	- 4	+ 2.5	+ 7	+16	+ 3	+18	+1
	Manhattan.....	-13	- 2	-10.3	+ 5	- 8	-18	- 9	- .3
	Brooklyn.....	+63	+ 8	- 5.4	-18	+34	+69	+38	+2
IIA	Hudson River..	+ 3	- .3	+ .4	- 1	+ 3	- 7	+ 3	- .3
	Harlem Valley..	+ 4	+ 5	- 1.6	- 2	+ 2	- 7	- 1	-2
	Middletown....	+ 1	+ 3	- 1.1	+ 5	+ 8	+ 2	+ 4	-3
	Rochester.....	+ 1	+ 1	+ 1.0	+ 6	+ 8	- 5	+ 8	- .2
	Willard.....	- 4	- 3	+ .7	+10	+ 9	-12	+ 6	-5
IIB	Binghamton....	- .1	- .1	- .3	- 1	- .5	+ 4	+ 2	+1
	Gowanda.....	+11	+11	+ 1.0	-11	+ .6	-10	+ 3	+1
	Marcy.....	+ 7	+ 8	+ .9	- 4	+ 3	- 5	+ 4	+ .6
	Buffalo.....	+19	+18	- 2.7	-15	- .3	- .8	- 2	- .3
	St. Lawrence....	- 5	- 6	+ 1.7	+15	+12	- 0	+ 7	-3
	Utica.....	+ 7	-10	- 1.1	- 5	+ .9	- 7	+ 5	+2

Willard, decreasing 3.6 per cent in census and 12.3 per cent in personnel, increased 6.4 per cent in personnel cost and 8.7 per cent in total cost. Its per capita jumped 10.2 per cent, one of the highest increases.

St. Lawrence decreased 4.9 per cent in census, balanced itself in regard to number of personnel, but increased personnel and total costs—6.9 per cent and 12.3 per cent respectively. This produced the highest per capita increase (15.4 per cent) among all the hospitals for 1942 over 1938.

Buffalo, increasing 19.4 per cent in census, reduced personnel, personnel and total costs slightly. The per capita, of course, went down 14.5 per cent, which indicates the spread of expenditures over a larger population. The point is that this larger population costs no more, 0.3 per cent less, in fact, which would seem an accomplishment.

In brief review, then, of the data on hospital supervision and operation, the following is disclosed:

1. Uniform achievement in service requires strict control of standards and resolute leadership.

2. Control of expenditures demands:

- (a) Standardization in departmental budgetary requirements;

- (b) Direct and persistent inquiry into the reasons for cost variations.

PART IV

THE DEPARTMENT OF CORRECTION

CORRECTIONAL INSTITUTIONS

There are fifteen state correctional institutions in the State of New York—six maximum security prisons; three medium security prisons; two prisons and reformatories for women; two hospitals for the insane; and two institutions for mentally defective delinquents. One of the maximum security prisons, Green Haven (with a capacity of 2,000—2,200) has not been opened because of the decline in prison population.

The maximum security prisons are enclosed by walls and are maintained for the security and reformation of male felons. In 1942, about 55 per cent of the total inmates of the State correction institutions were confined in these prisons.

The medium security prison (Wallkill), not enclosed by a wall, cares for carefully selected inmates received by transfer from other State penal institutions. Elmira is a reformatory for first-offender male felons between the ages of 16 and 30. Coxsackie is a vocational institution for male prisoners from 16 to 18 years old.

Albion is a State training school for mentally defective delinquent women. Westfield has both the State prison for women and a reformatory for females between the ages of 16 and 30.

Dannemora is a hospital for insane male criminals and Matteawan is for criminally insane men and women.

Both Napanoch and Woodbourne are maintained for the detention of mentally defective delinquent males.

Each correctional institution in use in 1942 is briefly described below:

TABLE XXVI
DEPARTMENT OF CORRECTION
INSTITUTIONS AND COST DATA
(1942)

Source: From data submitted by Department of Correction.

	Date of Estab- lishment	Rated Capacity	Average Daily Census	Expendi- ture Per Inmate Year	Total Expendi- ture ^a — 000 omitted
Maximum Security Prisons					
Attica.....	1931	1,994	2,219	\$531	\$1,178
Auburn.....	1817	1,651	1,609	614	988
Clinton.....	1845	2,092	2,125	552	1,173
Great Meadow.....	1911	1,198	1,456	600	874
Sing Sing.....	1825	2,700	2,343	589	1,380
Medium Security Prison and Reformatories					
Coxsackie.....	1932	821	714	\$714	\$510
Elmira.....	1876	1,647	1,499	555	831
Wallkill.....	1932	504	442	916	405
Prison and Reformatories for Women					
Albion.....	1890	434	316	\$946	\$299
Westfield.....	1892	554	440	1,046	460
Hospitals for the Insane					
Dannemora.....	1900	1,033	1,211	\$492	\$596
Matteawan.....	1892	1,423	1,570	696	1,093
Institutions for Mentally Defec- tive Delinquents					
Napanoch.....	1921	864	966	\$620	\$599
Woodbourne.....	1935	720	656	667	437

^a Excluding capital outlays and prison industry operations.

The growth of correctional institutions in the State of New York has developed trends in policy and administration that call for re-examination. This survey covers the following areas:

Maintenance and operation costs.
Some comparison with prison costs in other states.
The effects of the parole system upon current costs.
Prison industry.

The administration of the Department of Correction is complicated by factors which are inherent in all prison systems. The department is not responsible for these and can do nothing about them. For example:

No control over admission of inmates. They are committed by the courts through the imposition of sentence or recommended for violation of parole.

No control over length of stay, which is also determined, basically, by the courts.

No control over release on parole from the important prisons. This is under the jurisdiction of an independent board of parole.

Internal management of each prison is vested in a warden who is, in theory, to be guided by departmental policies, but who is also in a position of supreme authority similar to that of the captain of a ship on the high seas.

Maintenance and Operation Costs

The average expenditure for maintenance and operation per inmate (1937 and 1942) is shown in Table XXVII on the following page. This table reveals that among institutions of the same type there is no definite expenditure trend. Thus, in the maximum security group, the cost per inmate declined from 1937 to 1942 in Attica and Auburn but it increased in the other prisons. Older established prisons might be expected to be more costly to operate than the later models. Experience does not justify such an assumption. Attica, the most recently established prison had the lowest cost per inmate in 1942 (\$531) and Auburn, the oldest, had the highest cost (\$614). Great Meadow, the second newest prison, had a cost per inmate almost as high as that of Auburn (\$600); while Clinton, the third oldest prison, had a cost not greatly above that of Attica (\$552).

The lack of uniformity in the cost trend would appear to involve more than price changes and other external factors as causes.

There is a disposition to rely chiefly on differences in the construction and layout of buildings and plants to explain variations in cost.¹ These differences exist and no doubt have some influence; but costs per inmate have not varied with the age or structural characteristics of the several prisons in any group.

¹ *Hearings*, pp. 380, 385, 392, 416, 417, 420 and 425.

TABLE XXVII

DEPARTMENT OF CORRECTION

AVERAGE EXPENDITURE PER PRISON INMATE 1937 AND 1942

Source: From data submitted by Department of Correction.

	1937			1942		
	From General Fund	From Prison Indus- tries Fund	Total	From General Fund	From Prison Indus- tries Fund	Total
Maximum Security Prisons						
Attica.....	\$503	\$32	\$535	\$502	\$29	\$531
Auburn.....	592	67	659	550	64	614
Clinton.....	473	56	529	503	49	552
Great Meadow.....	538	30	568	576	24	600
Sing Sing.....	451	51	502	539	50	589
Medium Security Prison and Reformatories						
Coxsackie.....	\$736	.....	\$736	\$714	.....	\$714
Elmira.....	488	.....	488	555	.....	555
Wallkill.....	849	\$26	875	895	\$21	916
Prison and Reformatories for Women						
Albion.....	\$795	.....	\$795	\$946	.....	\$946
Westfield.....	806	\$6	812	1,044	\$2	1,046
Hospitals for Insane						
Dannemora.....	\$458	.....	\$458	\$492	.....	\$492
Matteawan.....	606	.....	606	696	.....	696
Institutions for Mentally Defec- tive Delinquents						
Napanoch.....	\$475	.....	\$475	\$620	.....	\$620
Woodbourne.....	723	.....	723	667	.....	667

These variations in total cost are likewise reflected in the principal components of that cost—for example, the expenditure per inmate for supervision:

TABLE XXVIII
DEPARTMENT OF CORRECTION
EXPENDITURES PER INMATE YEAR
(1942)

Source: From data submitted by Department of Correction.

	Supervision ^a	Other	Total
Maximum Security Prisons			
Attica.....	\$279	\$252	\$531
Auburn.....	340	274	614
Clinton.....	288	264	552
Great Meadow.....	321	279	600
Sing Sing.....	283	306	589
Medium Security Prison and Reformatories			
Coxsackie.....	\$235	\$479	\$714
Elmira.....	237	318	555
Wallkill.....	298	618	916
Prison and Reformatories for Women			
Albion.....	\$238	\$708	\$946
Westfield.....	245	801	1,046
Hospitals for Insane			
Dannemora.....	\$189	\$303	\$492
Matteawan.....	304	392	696
Institutions for Mentally Defective Delinquents			
Napanoch.....	\$305	\$315	\$620
Woodbourne.....	320	347	667

^a Budget classifications — supervision of inmates and ward service.

Supervision absorbs a higher proportion of total cost in the maximum security prisons, but the above table reveals surprising differences among these prisons. For example, an explanation commonly offered for the high cost per inmate in Sing Sing is the structural features of the prison. But supervision cost in Sing Sing is second from the bottom, while Auburn and Great Meadow stand at the top—although both are fully walled prisons.

Prison officials have long held to the tradition that the total payroll should provide for approximately one officer to every ten inmates. Among the maximum security prisons in New York, only Attica is operated to show a greater ratio of inmates to each officer. It is not reasonable to assume that the maximum security prisons in the State were so poorly planned and constructed as to require a larger staff of officers for such supervision—nor is it reasonable to assume that the types of inmates in New York prisons are so greatly different from those in other states and require much closer and stricter supervision.

The inmate population reached a peak in 1940 when the average was 18,198 inmates and the total staff engaged by the correction institutions numbered 3,471. When the average population was reduced to 17,566 in 1942, instead of adjusting the size of the staff

in line with the decline in population, the number of employees had risen to 3,626, an increase of 155.

Another important component of total costs is food. The average cost of food per day and per annum in the various prisons in 1942 is shown in the following table:

TABLE XXIX
DEPARTMENT OF CORRECTION
AVERAGE DAILY AND ANNUAL COST OF FOOD PER INMATE
(1942)

Source: From data submitted by Department of Correction.

GROUPS ACCORDING TO AVERAGE DAILY CENSUS	Institutions	AVERAGE COST OF FOOD PER INMATE	
		Day	Year
2,343.....	Sing Sing.....	\$.284	\$104
2,219.....	Attica.....	.256	93
2,125.....	Clinton.....	.241	88
1,609.....	Auburn.....	.233	85
1,570.....	Matteawan.....	.249	91
1,499.....	Elmira.....	.236	86
1,456.....	Great Meadow.....	.249	91
1,211.....	Dannemora.....	.248	91
966.....	Napanoch.....	.248	91
714.....	Coxsackie.....	.238	87
656.....	Woodbourne.....	.259	95
442.....	Wallkill.....	.245	89
440.....	Westfield.....	.362	132
316.....	Albion.....	.311	114

The above costs include only food purchased and the established value of farm produce used for meals. It does not include any of the costs incidental to the preparation of the meals such as personal service, gas, coal and electricity. Therefore, the locations and numbers of kitchens and dining rooms used within each institution for the preparation and serving of meals would not influence these costs.

That some institutions are far out of line in the cost of meals is obvious and suggests a lack of central office control in establishing and requiring strict adherence to a well-defined policy.

An intensive study should be conducted to formulate a satisfactory program with respect to food costs in relation to dietary needs and the central office should require strict compliance to such program by all institutions.

Among the factors which allegedly influence such costs is the number of meals served. The cost per meal of the institutions with an average daily census of over 2,000 is higher than those with an average population of between 1,000 and 2,000 and, in some instances, the institutions with the average number of inmates less than 1,000 are among the lowest in cost.

Within the groups are striking variations such as between Attica and Clinton in the first group; Elmira and Great Meadow in the second group; and Wallkill and Westfield in the third group.

The difference in cost of \$5 per year between each inmate confined in Attica and Clinton, also between those in Elmira and Great Meadow, as shown in Table XXIX may not seem to be remarkable, but this relatively moderate amount if related to the total inmate population amounts to more than \$87 thousand.

Some Comparisons with Other States

The New York correctional system has been regarded in many respects as a model system, but it is beyond doubt one of the most expensive systems in the country in view of cost per inmate. The expenditure for inmates in certain nearby states in 1942 is shown in the following table:

TABLE XXX

DEPARTMENT OF CORRECTION

PRISON POPULATION AND COST PER INMATE IN SELECTED STATES (1942)

Source: From data submitted by Department of Correction and by other states.

STATE	Average Daily Inmate Census	Expenditure Per Inmate
NEW YORK.....	17,566	\$616.19
Massachusetts.....	5,571	464.83
New Jersey.....	3,697	552.92
Maine.....	635	525.79
Rhode Island.....	563	482.62

The seventeen institutions reporting in the other states shown in the above table are smaller than those in New York, but this is a factor which should make for higher rather than lower costs.

It is possible that New York has embarked on a more elaborate program of special services for rehabilitative or therapeutic effects than is to be found in the other states.

Regardless of the reasons, it is evident that a scale of costs commensurate with the cost in New Jersey would represent a saving per inmate of approximately \$63, or an aggregate saving of over \$1 million.

If the level of cost reported by Massachusetts were to be achieved, the saving might approach \$2¾ millions.

Granting this latter amount to be an unreasonable goal, it does not appear impossible to expect that the cost of the correctional institutions in New York could be reduced by \$1 million, assuming that a definite review of the organization and operation of the department were undertaken.

Comparisons of this kind are recognized to be dangerous and the foregoing data are submitted in full knowledge of this caution.

The variations in institutional costs, and the degree to which they exceed the cost of similar institutions in other states, suggest the desirability and the possible advantage of a detailed cost study, to discover the reasons for such discrepancies as appear to exist.

Parole

The parole function is exercised by two parole agencies. The Board of Parole, a division of the Executive Department, has jurisdiction over the release of prisoners for parole from the maximum security prisons, and from Wallkill, Elmira and the prison at Westfield; and also over normal-minded prisoners who had been transferred to Woodbourne prior to the restriction of this institution to the segregation of mental defectives. The Department of Correction has jurisdiction over the parole of inmates in other institutions.

The parole agencies have power to act only in case of indeterminate sentences. Prisoners who have served the minimum sentence imposed, less time off for good behavior and for work willingly performed, become automatically eligible for consideration by the Board of Parole. This body has a quasijudicial status and until recently its decisions have been regarded as final.²

The original parole cases (as distinguished from re-parole) before the Board of Parole, and the action thereon in the calendar years 1936-1941 are shown below:

TABLE XXXI
DEPARTMENT OF CORRECTION
APPEARANCES BEFORE PAROLE BOARD AND RELEASES GRANTED
(1936-1941)

Source: From Executive Department, Division of Parole, *Annual Reports*.

CALENDAR YEAR	Number of Appearances	RELEASES GRANTED	
		Number	Per Cent of Releases to Appearances
1936.....	3,625	1,721	47.5
1937.....	3,667	1,422	38.8
1938.....	4,252	1,579	37.1
1939.....	4,695	1,582	33.7
1940.....	5,647	1,932	34.2
1941.....	6,264	2,210	35.3

This record includes both the initial and the subsequent appearances for original parole. With respect to initial appearances only, the board's action has been even more drastic. In 1936, 43 per cent of the initial appearances were paroled, but in 1940 this

² Supreme Court Justice Pierce H. Russell at Troy in January, 1943, in the case of Edward J. O'Connor held that the action of the parole board was reviewable by the court and that the board acted illegally in withholding parole from O'Connor in 1942.

proportion was only 28 per cent, and in 1941 it was down to 25 per cent.

It is obvious that the action of the Board of Parole is capable of affecting materially the cost of the correction system. If persons eligible for parole are not released the cost of prisons is higher than it would be otherwise; but if releases are granted prematurely or unwisely, the community may pay a high price for this liberality. The parole board has other objectives to serve than the financial cost of the system, and it is not suggested that cost should ever become a factor in its decisions. The record, nevertheless, indicates that the board's action has produced the result of keeping a considerable number of inmates in prison after the time when they had become eligible for parole consideration.

Among the reasons given by the board for its denial of parole are the following:

Seriousness of offense—but it is presumed that the courts, in imposing a minimum sentence, had taken due cognizance of this factor.

Previous criminal record—but a term appropriate to each previous offense was presumably served under each previous conviction. The Baumes Law would eventually take care of the habitual felon.

Unsatisfactory parole program—this is interpreted as meaning unsatisfactory home and employment conditions, principally the latter. More than one-quarter of all rejections on initial appearance before the board in 1940 were for this reason.

But the Board of Parole has never been required to assume the function of finding employment for prisoners. It may assist, though it has no responsibility to do so. Ordinarily, the prisoner or his relatives and friends must arrange for employment satisfactory to the board and the task is not an easy one for the inmate of a prison.

Farms

The total value of farm products used in correction institutions (excluding Great Meadow) in 1941 was reported as \$901,000. Of this amount, the institution farms produced \$320,000.

The Department of Agriculture and Markets conducted a recent survey in regard to the expansion of the farm program. It estimated that production could be "stepped up" \$75,000 to \$100,000 in value. Replies to the *Commission's* questionnaire indicated that an increase in farm production is feasible and is so recognized by the various institutions. One of the replies will serve to illustrate:

We have the land, equipment and labor suitable for increasing agricultural production. . . . Normally we consume . . . home-canned produce but we could double the production.

The shortage of food production on free farms has become an acute war problem and remedial measures to relieve the situation should be undertaken on institution farms.

Prison Industry

The maintenance and cost of seven correction institutions is being met in part from the General Fund and in part from funds derived from the operation of prison industries. The proportions of total cost received from these two sources (1942) were as follows:

TABLE XXXII
DEPARTMENT OF CORRECTION
PROPORTIONS OF TOTAL MAINTENANCE AND OPERATION COSTS
PAID FROM GENERAL AND PRISON INDUSTRY FUNDS
RESPECTIVELY (1942)
(000 Omitted)

Source: From data submitted by Department of Correction.

PRISON	FROM GENERAL FUND		FROM PRISON INDUSTRY FUND ^a	
	Total Amount	Per Cent of Total	Total Amount	Per Cent of Total
Attica.....	\$1,113	94	\$65	6
Auburn.....	886	90	102	10
Clinton.....	1,070	91	103	9
Great Meadow.....	839	96	35	4
Sing Sing.....	1,264	92	116	8
Wallkill.....	396	98	9	2
Westfield.....	459	100	1	^b ..

^a Excludes expenditures for prison industry operation.

^b Less than 0.5 per cent.

The Legislature, through making appropriations available, and the Governor through the budget, maintain a certain control over expenditures from the General Fund. However, there is only limited control outside the department over the purposes for which the prison industry fund is expended or the amounts of expenditures.³ This means that neither the Governor nor the Legislature has complete control over the expenditures for maintenance and operation of correctional institutions.

Such expenditures are, indeed, excluded from reports of institutional costs, thereby distorting the true picture.

The prison industry fund has, moreover, been so reduced, that effective industrial operation is impossible. During the last fiscal year more than \$450,000 of industrial funds were expended for maintenance and operations. The details are shown in Table XXXIII.

³ *Hearings*, pp. 498, 499.

TABLE XXXIII
DEPARTMENT OF CORRECTION
PAYMENTS FROM PRISON INDUSTRY FUND FOR MAINTENANCE
AND OPERATION (1942)

(000 Omitted)

Source: From data submitted by Department of Correction.

Payments from Current Income	
Industrial Training (Wallkill).....	\$5.3
Guards' Salaries.....	163.5
Albany Office Salaries ^a	23.0
Subtotal.....	\$191.8
Payments from Surplus	
Maintenance Fuel.....	\$123.2
Maintenance Wages (Inmates).....	137.9
Subtotal.....	\$261.1
Total Payments.....	\$452.9

^a Apparently a proper charge against central office administration.

Since July 1, 1928, the Prison Industry Fund has paid \$3.5 millions in maintenance, fuel and wages alone.

In the interest of closer fiscal control and greater accuracy in the determination of correctional costs, it is suggested that the budget of prison industries be subject to the same procedure and controls as the regular departmental budget. Further, all appropriations for maintenance and operation items should be made through the General Fund. A trust fund should be established for "inmate compensation payable" by making an annual transfer of such amounts from the Industrial Fund. The amount of accumulated surplus in the Prison Industry Fund should be transferred annually to the General Fund.

The Prison Capital Fund. Expenditures and payments for purposes entirely foreign to the manufacture of merchandise for sale have seriously depleted the Prison Capital Fund. For example:

(1) More than three times the amount authorized by the Legislature in 1889 (\$500,000) for the establishment of the Prison Capital Fund has been repaid directly to the General Fund from earnings of the Division of Prison Industry;

(2) The fund has also paid more than \$1.5 million for general prison construction costs and nearly \$5 million for general prison maintenance.

As a result of these depletions, the strong position existing in 1929 had been transformed into a weak position by 1942. This decline is shown in the following table:

TABLE XXXIV
DEPARTMENT OF CORRECTION
CHANGES IN CURRENT ASSETS, LIABILITIES AND DEPRECIATION
RESERVES, PRISON CAPITAL FUND, 1929-1942
 (000 Omitted)

Source: From data submitted by Department of Correction.

	1929	1942
Current Assets ^a	\$2,713	\$1,200
Liabilities.....	\$38	\$561
Reserve for Depreciation.....	145	998
	\$183	\$1,559
Excess or Deficiency of Assets.....	\$2,530	^b \$359
^a Composition of current assets:	1929	1942
Cash.....	\$999	\$106
Accounts receivable.....	853	217
Inventories.....	861	876

^b Deficiency of assets.

Total current assets declined by more than 50 per cent in this period. From the details shown in the footnote to the table it appears that this decline was occasioned by a heavy withdrawal of cash and by a sharp reduction in accounts receivable. No substantial change occurred in sales volume over this period (\$1,976,000 in 1929, \$2,094,000 in 1942), and the marked drop in accounts receivable on a fairly steady volume of business suggests a definite change of payment and collection procedure.

The accounting system does not provide for the aging of outstanding accounts and the amount now "past due" is unknown. It is possible that there could be some shrinkage here.

Inventories are maintained by the department with respect to raw materials, jobs in process and finished products. Values are established in accordance with costs based on department records. Adjustments in values for inventory purposes are not made for old or obsolete materials. Procedures do not provide for independent test checks outside of the department on either quantities or prices.

The machinery and equipment account rose from \$940,000 in 1929 to \$1,507,000 in 1942, but the amount carried as a depreciation reserve in 1942 indicates an undepreciated value of only about one-third, which is not far above the salvage value of machinery and equipment.⁴

Current liabilities in 1942 consisted of vouchers payable, \$33,600, and inmate compensation payable, \$527,500.

The impairment of current position is shown by the conversion of an excess of current assets over liabilities and reserves of \$2,530,-

⁴ See balance sheets for 1929 and 1942, p. 127.

000 in 1929 into a deficiency of assets in 1942 amounting to \$359,000.

An excellent current operating position of nearly \$72 of current assets to \$1 of liabilities in 1929 was reduced to a weak ratio of slightly more than \$2 of current assets to \$1 of liabilities in 1942.

The cash position changed even more drastically. In 1929 cash constituted 36 per cent of current assets and a ratio of almost \$27 for each \$1 of liabilities. By 1942, cash was only 9 per cent of current assets, with a ratio of less than 19 cents for each \$1 of liabilities.

As of June 30, 1942, the accumulated liability for inmate compensation payable was \$527,500. The Correction Law provides:

The rules of the department shall also provide for the establishment of a credit system for each prisoner and the manner in which such earnings shall be paid to the prisoner or his dependents or held in trust for him until his release.⁵

The inmate compensation liability is in reality a trust fund, payable in part to the prisoner or his dependents and in part to him upon his release. It has not been segregated and treated as such. Rather, this fund has been merged with other funds which are used for prison industry operations. Fortunately for the immediate cash requirements of the fund, complete liquidation of outstanding inmate compensation will be spread over a considerable time.

With a further decline in prison population, the rate of this liquidation will increase. In 1942 the payments exceeded the credits by more than \$13,000. It is therefore imperative that steps be taken promptly to improve the cash positions of the fund and to establish, at the earliest practicable date, the amounts owing to prisoners upon release as a separate trust fund.

⁵ Correction Law, as amended and effective July 1, 1942, sec. 187, subd. 3.

TABLE XXXV
DEPARTMENT OF CORRECTION
COMPARATIVE BALANCE SHEET — PRISON INDUSTRY FUND
1929 AND 1942

(000 Omitted)

Source: From data submitted by Department of Correction.

ASSETS	1929	1942
Current Assets		
Cash.....	\$998.7	\$106.2
Accounts Receivable.....	853.2	217.3
Inventories.....	860.7	876.2
Total Current Assets.....	\$2,712.6	\$1,199.7
Fixed Assets		
Machinery and Equipment.....	\$940.3	\$1,507.2
Less:		
Reserve for Depreciation.....	145.4	997.9
Net Fixed Assets.....	\$794.9	\$509.3
Deferred Charges:		
Freight Allowances.....	\$.9	\$2.7
Suspense.....		5.1
Total Deferred Charges.....	\$.9	\$7.8
Total Assets.....	\$3,508.4	\$1,716.8
LIABILITIES AND SURPLUS		
Current Liabilities:		
Vouchers Payable.....	\$.8	\$33.6
Inmate Compensation Payable ^a	36.9	527.5
Total Current Liabilities.....	\$37.7	\$561.1
Surplus.....	\$3,470.7	\$1,155.7
Total Liabilities and Surplus.....	\$3,508.4	\$1,716.8

^a Portion of this amount is withheld until release of inmate.

Prison Industry Operation. The operating profits from over \$2 million prison industry sales from maximum security prisons (1942) amounted to \$374,000 or only 6.7 per cent of the maintenance costs of these prisons. Regardless of the desirability of expanding prison industry operations to earn enough to cover the total maintenance costs of correction institutions, the outlet for such products under the "state-use" market is not available at this time.

Nevertheless, it is desirable for prison industries to maintain production at a high point for three reasons:

1. Disciplinary problems are simplified by keeping prisoners occupied.
2. Industrial employment contributes to the general rehabilitation of prisoners.
3. Industry provides a source of income for the State.

These three aspects are completely compatible. In fact, high production may facilitate social re-education and training and may prevent many of the acute disciplinary situations which result from idleness among prisoners.

Prison industry management in New York falls short of these standards. Important and delicate issues of policy are involved. As a contribution to the consideration and adjustment of these issues, the following essentials of the prison industry situation are presented:

1. Until the middle of 1942 when production under war contracts was authorized, sales of prison-made goods were restricted to the State and local governments.⁶

2. Priority restrictions have necessitated some curtailment of production for the State-use market.

3. Under the present State-Use Law, prison industries are forbidden to accept printing or photo-offsetting orders except for the Department of Correction, State correctional and State charitable institutions.⁷

4. Some of the prisons reported machinery and equipment producing at not more than half-time capacity; in others, the shortage of machinery has resulted in increased working hours and the institution of the double shift system.

5. The labor available for prison industry is greatly in excess of the manpower utilized. The various institutions employed only from 4 to 40 per cent of their inmates in industry. The situation in 1942 is shown in Table XXXVI.

TABLE XXXVI

DEPARTMENT OF CORRECTION

INMATE LABOR UTILIZATION BY PRISON INDUSTRIES
(1942)

Source: From data submitted by Department of Correction.

INSTITUTION	Number of Inmates Employed ^a	Per Cent of Average Daily Census Employed
TOTAL.....	2,822	27
Attica.....	636	29
Auburn.....	644	40
Clinton.....	^b 582	27
Great Meadow.....	^c 331	23
Sing Sing.....	^d 573	24
Wallkill.....	17	4
Westfield.....	39	9

^a Average number of assignments on working days.

^b Reported as 580.

^c Reported as 294.86.

^d Reported as number employed.

⁶ L. 1942, ch. 577. For regulations, see New York State War Council, *Resolution*, Nos. 82 and 83 (June 26, 1942).

⁷ Correction Law, sec. 176.

As a maximum, as much as 70 per cent might be utilized full- or part-time.⁸

6. Present operational efficiency is low. The annual sales value of products per inmate worker for 1942 varied, shop to shop, between \$15 and \$2,500. The State average was \$641. The details are shown in Table XXXVII.

TABLE XXXVII

DEPARTMENT OF CORRECTION

AVERAGE SALES VALUE OF PRODUCTS PER INMATE EMPLOYED (1942)

Source: From data submitted by Department of Correction.

INSTITUTION AND SHOP		1942
State Average.....		\$641
<i>Attica</i> —	Textile } Metal }	\$653
<i>Auburn</i> —	Average.....	\$1,009
	License Plates.....	1,983
	Cloth.....	938
	Bed.....	686
	Sheet Metal.....	2,496
	Woodworking.....	641
	Broom and Basket.....	362
<i>Clinton</i> —	Average.....	\$501
	Shirt, Clothing.....	686
	Cotton Mill.....	476
<i>Great Meadow</i> —	Average.....	\$189
	Chair.....	340
	Mat.....	47
	Quarry.....	15
	Farm.....	287
<i>Sing Sing</i> —	Average.....	\$864
	Mattress and Brush.....	1,568
	Textile.....	721
	Shoe.....	1,025
	Sheet Metal.....	562
	Print.....	666
<i>Walkill</i> —	Woodworking.....	\$265
<i>Westfield</i> —	Garment.....	\$1,537

The average for New York State is low, even in comparison with the national average of state prisons and other states in the region. This is indicated by Table XXXVIII.

⁸ United States Attorney General's, *Survey of Release Procedures*, 1939, pp. 188-189. This report estimates that 25 per cent of the inmates would be required for maintenance and operation. Assuming that 5 per cent of the inmates would be unavailable because of illness, court attendance and disciplinary treatment, a maximum of 70 per cent would be available for industrial employment.

TABLE XXXVIII

DEPARTMENT OF CORRECTION

AVERAGE VALUE OF PRODUCTS PER INMATE EMPLOYED IN PRISON
INDUSTRIES IN CERTAIN STATES
(1940)

Source: "Prison Labor in the United States, 1940," *Monthly Labor Review*, 1941, p. 585.

STATE	Value of Products per Inmate Employed
All State Prisons.....	\$638
Connecticut.....	949
Massachusetts.....	1,016
New Jersey.....	876
NEW YORK.....	629
Pennsylvania.....	863

7. A number of "special orders" (involving small quantities and small amounts) are being filled, presumably at low economic efficiency. Such action has been justified on the basis that they are not "production items."⁹ This, however, does not answer the question of economic efficiency.

8. The quality of goods varies greatly. Modern machine-made mass-production items are of good quality. Some of the older machines turn out inferior products for which there is little demand.¹⁰

9. The ratio of inmate workers to civilian employees (excluding guards) varies greatly. The situation in 1942 is shown in Table XXXIX.

TABLE XXXIX

DEPARTMENT OF CORRECTION

INMATES IN PRISON INDUSTRY PER CIVILIAN EMPLOYEE
(1942)

Source: From data submitted by Department of Correction.

INSTITUTION	Average Number of Inmate Assignments per Civilian Employee
TOTAL.....	36
Attica.....	71
Auburn.....	25
Clinton.....	53
Great Meadow.....	66
Sing Sing.....	26
Wallkill.....	6
Westfield.....	13

⁹ *Hearings*, p. 472.

¹⁰ *Hearings*, pp. 441, 453-454.

In Great Meadow 20 per cent of the total value of items produced was absorbed by such civilian employees' salaries. This may be justified in part by the low productivity per inmate (\$189). Of the civilians, three supervised 330 inmate workers.

The salaries of civilian employees (supervisors) in Wallkill were \$6,795 while the value of items produced amounted to only \$4,511. Three civilians supervised seventeen inmates.

10. Institutions outside of the prison industry system produced items valued at \$209,000 during 1942. Two of these institutions (Elmira and Napanoch) which produced items valued at \$110,000, were brought into the prison industry system on July 1, 1942. The balance of \$99,000 was produced by Coxsackie (\$56,000), Woodbourne (\$28,000), Dannemora Hospital (\$14,000) and Matteawan (\$1,000).

The *Commission* recommends for the study and evaluation by the Governor and Legislature the relation between the present low production in prison industries and

- (1) Planning and control at the State level;
- (2) Sales promotion;
- (3) Restrictive legislation.

STATEMENT BY ROBERT M. HAIG

The report of the Temporary Economy Commission is a document to which I cannot conscientiously subscribe without reservations. In this statement I give the reasons that lead me to take this position.

The text of the report as set forth above is the result of several radical revisions in the course of which much that was clearly questionable and objectionable in the original draft has been modified or eliminated by action of the Commission. Many of the changes were made as the result of my own criticisms and challenges, so many indeed that my decision not to add my name to the report may appear to some of my fellow commissioners as uncooperative and ungracious. This I regret. Nevertheless the duty remains of making it clear that even this emasculated and relatively innocuous final draft of the report does not, at several points, accurately reflect my judgments and conclusions.

The material presented in the report falls into two main categories. In the first category fall discussions of several general topics, such as the trend of state expenditures, the state's debt policy, the state's budgetary procedure and arrangements for controlling expenditures (Part I). In the second category (Parts II, III and IV) fall studies of three state departments (Health, Mental Hygiene and Corrections).

The three departmental studies rest primarily upon a series of unit-cost analyses made by the staff. The results are provocative and suggestive. However, as every informed student is aware, such analyses raise more questions than they answer. Often entirely satisfactory explanations exist for variations in unit costs which on their surface seem to justify criticism. Certainly the statistical results in this case did not furnish a firm basis for the series of strictures which appeared in the earlier drafts and which were largely eliminated by the action of the Commission. Nevertheless certain of those criticisms that still remain appear to me to be ill-considered and inadequately supported by supplementary investigation and analysis. I make this statement as one who has attended faithfully the meetings and the hearings of the Commission and has studied all the data and the evidence made available to it.

It is, however, the discussion of the general topics in Part I that arouses the apprehensions in the mind of one who is asked to assume responsibility for this document. In this treatment of the trend of expenditure, of borrowing policy, and of expenditure control there are explicitly stated or clearly implied propositions on questions of policy and qualitative judgments on present practices the soundness of which is, in my judgment, highly questionable. These propositions range from a condemnation of the use of public

credit, supported by a demonstrably incorrect calculation of advantage and disadvantage, to the advocacy of a crude form of the cash-drawer, "allotment" system of expenditure control appropriate only to a state trembling on the verge of bankruptcy. An adequate discussion of these doubtful propositions and judgments would require much space and cannot be undertaken in a brief note. It must here suffice to state that Part I asserts or implies much for which I am not prepared to accept responsibility.

I agree that additional and more formal controls over state expenditure, established presumably in the Bureau of the Budget, would probably yield good results. I believe, however, that the report gives inadequate recognition to the effectiveness of the informal and modestly-financed controls now in effect.

ROBERT M. HAIG

March 27, 1943

NOTE: Professor Haig's statement was received after the legislature adjourned.

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